Pollution

The appalling legacy of Soviet planners

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Rupert Murdoch

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NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Thursday August 27 1992 — EUROPE'S BUSINESS NEWSPAPER — D8523A

EC/UN talks take tougher stance over Serbia

Serbia was threatened with tougher sanctions and diplomatic isolation by the world's major powers as the joint two-day UN-EC peace conference to halt the fighting in the former Yugoslavia got under way in London yesterday. In a parallel move, EC diplomats said UN secretary-general Boutros Boutros Ghali was expected to announce an expanded military operation under UN command to escort food convoys through Bosnia. **Page 12; Yugoslavia: The search for peace, Page 3; Not Kuwait, but... Page 11**

German workforce: The shedding of 11.5 per cent of the workforce of German industry in the year to the end of June dramatically reduced the impact of high wage settlements. **Page 12**

Hoechst, German chemicals and drugs group, blamed price pressure, rising costs and the weak dollar for a 19.8 per cent slump in first-half pre-tax profits to DM1.1bn ($780m), following a 20.3 per cent slump in 1991 earnings. **Page 13**

ABB Asea Brown Boveri, the Swedish-Swiss power engineering group, said that its annual pre-tax profits would only match last year's level as it had not experienced any upturn in demand in recessionary markets. **Page 13**

News Corporation, Rupert Murdoch's international media group, underlined the success of its refinancing in February, 1991, with a 65 per cent increase in net profit to A$531m ($390m) for the year to the end of June. **Page 13; Down and up in Beverly Hills, Page 17**

UN steps up help for Somalia:

United Nations secretary-general, Boutros Boutros Ghali, suggested UN troops should be used in a rapid expansion of efforts to the starving people of Somalia. He said an urgent response was needed to the "overwhelming needs" of a desperate population, recommending the deployment of up to 3,500 UN troops to ensure the delivery of food and other relief supplies. At present, there are only 50 unarmed UN guards in the country. **Page 4**

Guardian Royal Exchange, the UK insurance company, said it will stop selling "with-profits" policies, intensifying speculation that investors in with-profits pensions and endowment policies – which support the majority of British mortgages – will face heavy cuts in pay-outs. **Page 6; Lex, Page 12**

Hurricane Andrew, possibly the costliest natural disaster in US history, smashed its way through the state of Louisiana. **Page 12; Insurers let off lightly, Page 6**

Toyota Motor, Japan's biggest automotive group, suffered a 39.7 per cent slide in worldwide pre-tax profits to Y427.9bn ($3.3bn) for the year to June as a fall in domestic car demand, foreign exchange losses and the cost of new domestic and British outlets took their toll. **Page 13**

Airbus sale: PWA, the parent of Canadian Airlines International, is to receive a C$150m (US$126m) cash injection from the sale of its three remaining Airbus 310 aircraft to the federal government, giving the airline breathing space to negotiate an alliance with American Airlines or other deals to ensure its survival. **Page 15**

Citibank, the US bank, denied that it had violated guidelines of the Reserve Bank of India, or that it had actively financed brokers involved in the Rs35bn ($1.26bn) Bombay securities scandal, blaming the Indian banking system for irregularities in its Indian operations. **Page 4**

Attack threat retracted: Eduard Shevardnadze, the President of Georgia, said efforts to end his army's two-week battle with Abkhazian separatists were going nowhere but retracted a threat by his regional commander to attack the Abkhazian stronghold. **Page 4**

Russia to abide by IMF accord: Russian authorities have convinced the International Monetary Fund they will continue with their current agreement with the Fund on the eve of debt talks with the Group of Seven, despite saying the opposite last week. **Page 4**

Nine dead in Algiers bombing: A bomb wrecked much of the international terminal at Houari Boumedienne airport near Algiers, killing nine people and wounding more than 100.

■ STOCK MARKET INDICES

FT-SE 100:	2,285.0	(+4.0)
Yield	5.38	
FT-SE Eurotrack 100	997.98	(+4.97)
FT-A All-Share	1,087.44	(+0.1%)
Nikkei	16,541.65	(+160.88)
New York: lunchtime		
Dow Jones Ind Ave	3,240.87	(+6.65)
S&P Composite	412.44	(+0.83)

■ US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.22%
Long Bond	97 3/32
Yield	7.449%

■ LONDON MONEY

3-mo interbank	10 11/16%	(10⅞%)
Liffe long gilt future:	Sep 95⅛	(Sep 95 31/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$19.85	(19.825)

■ Gold

New York Comex (Aug)	$338.35	(340.6)
London	$338.65	(341.3)

■ STERLING

New York lunchtime:		
$	1.986	
London:		
$	1.987	(1.991)
DM	2.795	(2.7875)
FFr	9.5275	(9.5125)
SFr	2.5025	(2.4825)
Y	248.25	(248.5)
£ Index	92.3	(same)

■ DOLLAR

New York lunchtime:		
DM	1.40745	
FFr	4.7975	
SFr	1.2582	
Y	124.925	
London:		
DM	1.4085	(1.4)
FFr	4.785	(4.7775)
SFr	1.259	(1.2465)
Y	124.9	(124.85)
$ Index	58.8	(58.5)
Tokyo close Y 124.95		

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00		
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10		
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht50		
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000		
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000		
France	FFr8.50	Kuwait	Fils 500	Poland	Zl 16,000	UAE	Dh9.00		
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190				
Greece	Dr250	Lux	LFr60	Qatar	QR10.00				

Lamont says Britain will not devalue sterling or withdraw from EMS

UK acts to shore up pound

By James Blitz, Peter Marsh and David Marsh in London

THE BANK of England's biggest intervention to support sterling in six years yesterday helped to steady the pound against the D-Mark and to stave off a possible increase in UK interest rates.

The Bank spent about £1bn ($2bn) buying sterling for D-Marks after Mr Norman Lamont, the chancellor of the exchequer, stressed that Britain would not devalue the pound or withdraw from the exchange rate mechanism of the European Monetary System.

The impact of Britain's intervention was reduced after remarks by a member of the Bundesbank council about the "potential" for an ERM realignment. The pound sagged for a few hours before closing in London up ¾ of a pfennig at DM2.7950, 1½ pfennigs above its effective ERM floor.

Mr Lamont, speaking yesterday morning on the steps of the Treasury building in London, said he wanted to remove any "scintilla of doubt" that government policy was committed to maintaining sterling's ERM position. The government would do "whatever necessary" to keep sterling within ERM parities.

The chancellor's statement was followed by heavy buying of sterling by Bank of England currency dealers. In a well-rehearsed operation, they sought to amplify the effect of Mr Lamont's comments by large individual purchases of pounds in selected international banks.

This move was seen on the currency markets as a significant stepping up in the government's battle to defend the pound. The last time that the Bank intervened on such a scale to support sterling was in 1986, when the pound was extremely weak against the dollar.

Comments yesterday by Mr Reimut Jochimsen, president of the central bank of North Rhine-Westphalia, strengthened the belief of foreign exchange dealers that the Bundesbank might be trying to provoke a realignment.

Such a move, which would consolidate Germany's anti-inflation strategy, might lead to large selling of the weaker ERM currencies, including the pound and the lira.

Yesterday's slight weakening of the D-Mark against the dollar eased anxieties within Europe about the immediate prospect of strains within the ERM pushing up interest rates across the continent.

In london, the dollar closed nearly half a cent firmer at $1.9870. These faltering signs of dollar strength led to steadier trading on most European bourses.

But, in Rome, shares slid to their lowest close this year on worries about the economic effects of a weak lira.

In London, the FT-SE 100 index of leading shares closed up 4.0 at 2,285.0, helped by a firmer tone on Wall Street.

The rate for three-month money in the sterling cash market eased slightly, indicating slightly reduced expectations of an imminent rise in bank base rates, now at 10 per cent. Dealers, however, continued to price in an increase of at least ¾ of a percentage point.

Yesterday's more settled market conditions led to a reasonably smooth auction by the Bank of England of £2.5bn of long-dated gilts. The offer was 1.2 times subscribed. Gilts, however, closed about ⅛ a point lower in volatile trading.

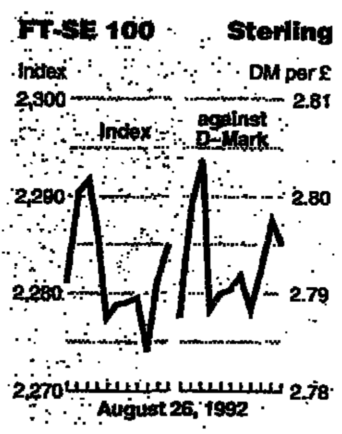
Nervousness about the longer-term prospects for sterling was heightened by another opinion poll in France indicating a 52 per cent to 48 per cent margin in favour of a "no" vote in next month's referendum on the Maastricht treaty.

Such an outcome could well trigger acute instability in currency markets.

The Italian lira came under pressure, again coming very near to its floor within the EMS against the D-Mark. However, it closed a little stronger on the day at L763.5.

Ashley Ashwood

Norman Lamont, UK chancellor, said yesterday that he would do "whatever necessary" to keep sterling within ERM parities



ERM realignment comment unnerves currency markets

By David Marsh, European Editor, in London

MR Reimut Jochimsen, a member of the Bundesbank's policy-making council, yesterday sent nervous ripples through the exchange markets when he suggested that there was "potential for realignment" in the European Monetary System.

The remarks, contained in the advance text of a speech in Düsseldorf, sparked a flurry of D-Mark purchases in the morning by prompting speculation about an EMS shake-up.

However, when he made the speech in the early afternoon at a securities market conference, Mr Jochimsen excised the passage hinting at the need for realignment. This allowed the Bundesbank to issue a statement later denying that the central bank was seeking a realignment.

By then, however, the damage had been done. Mr Jochimsen's comments in the text effectively negated the effect of large-scale Bank of England support for the pound in early European trading.

Mr Jochimsen, the president of the state central bank of North Rhine-Westphalia, is one of the most outspoken members of the council.

His remarks added to the

Continued on Page 12

Gulf allies declare air exclusion zone in south Iraq

By Roger Matthews in Washington and Tony Walker in Cairo

THE US, Britain and France yesterday announced an air exclusion zone over southern Iraq and made an open-ended commitment to protect the Shia population against what President George Bush described as the "brutality and harsh repression" of President Saddam Hussein's regime.

From today Iraqi helicopters and fixed-wing aircraft will be forbidden to fly south of the 32nd parallel, establishing a zone similar to the one in the north which protects the Kurdish population above the 36th parallel. The allied air forces are prepared to shoot down Iraqi aircraft violating the "no-fly" zone, although they do not expect to be challenged.

"If Iraq violates the no-fly rule, the coalition forces will respond appropriately and decisively," a Pentagon spokesman said, but declined to reveal the specific rules of engagement.

Mr Bush also threatened tougher measures against the Baghdad regime if it continues to oppress the population in contravention of UN resolution 688 passed at the conclusion of the Gulf war. If Iraqi troops continued their ground attacks on the Shia population in the south, Mr Bush said, "The US and our coalition partners are prepared to consider additional steps should Saddam continue to violate this or any other UN resolution."

The US administration is believed to be ready to order air attacks against targets in Baghdad if Iraq stands by its threat to refuse UN weapons inspectors access to government ministries.

Many Arab governments have opposed the allied air exclusion zone, warning that it could lead to the three-way partition of Iraq. But Mr Bush said the US did not support partition and claimed the allies were receiving "the full and active support of a number of countries that form part of the Gulf Co-operation Council, including Saudi Arabia." Wash-

Continued on Page 12

UK Tornados to record military activity in south Iraq, Page 4

Sweden raises lending rates by 3 points to defend krona

By Robert Taylor in Stockholm

SWEDEN'S central bank raised its lending rate yesterday by 3 percentage points to 16 per cent in order to defend the krona and stem a rapid outflow of capital.

Bankers expressed doubts that the increase would be enough to resolve the country's economic problems and calm the financial markets.

Underlying concern about the Swedish minority government's perceived inability to carry out its tough economic policy had not vanished, bankers said.

Hopes of achieving a broad-based economic agreement between the government and the opposition remain slight.

Mr Carl Bildt, the prime minister, in an interview with Financial Times, said there was no reason for the government to change its economic policies or introduce new spending cuts to contain a growing budget deficit.

The non-socialist minority government was last night making informal soundings on negotiating a broad agreement with the main Social Democratic opposition on measures to restore financial confidence in the country.

But Mr Bildt said he "doubted" the informal soundings would lead anywhere, while Social Democrat leader Mr Ingvar Carlsson said that, if the government intended to stick to its existing policies, there were "no conditions for co-operation".

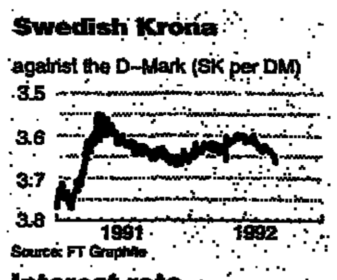
The government and the opposition agree that there should be no devaluation and the existing fixed exchange rate of the Swedish currency should be maintained.

They also want the krona to shadow the exchange rate mechanism of the European Monetary System as soon as possible and they accept there can be no more unfinanced tax cuts.

There was a sharp difference of opinion between Mr Bildt and the central bank yesterday. The prime minister said he found it "difficult to understand" what had been happening on Swedish markets over the past few days with the huge outflow of capital, soaring short-term interest rates and the plummeting stock market. He blamed the country's financial troubles mainly on international factors.

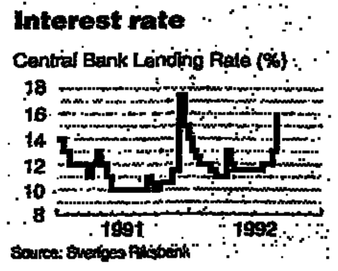
But Mr Bengt Dennis, the central bank governor, said the troubles were mainly due to domestic factors. "The key to low interest rates lie in the hands of the government and the parliament," he said.

Swedish Krona



Source: FT Graphite

Interest rate



Source: Sveriges Riksbank

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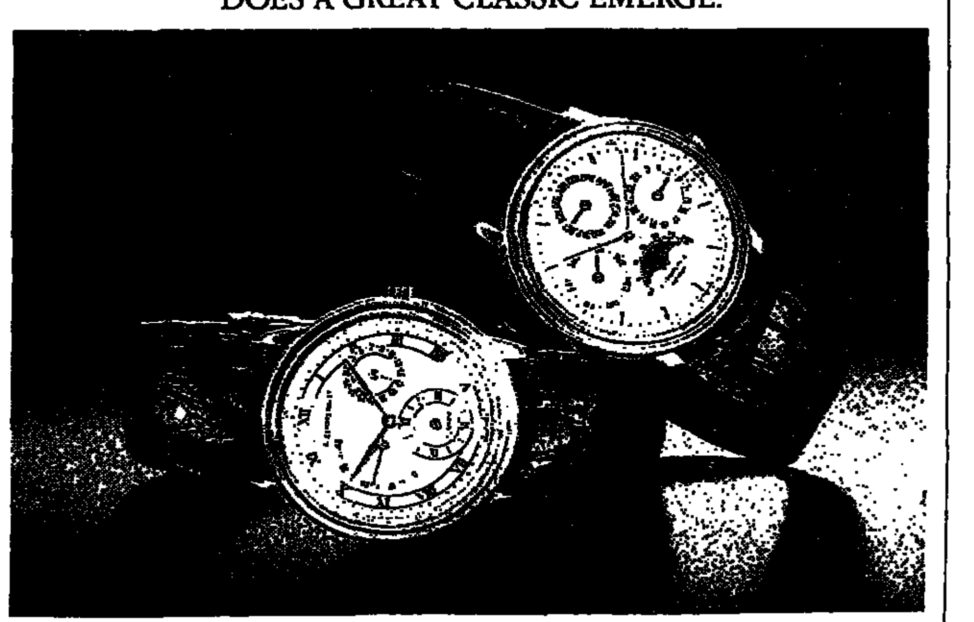
ONLY WHEN FUNCTION AND STYLE COMBINE PERFECTLY DOES A GREAT CLASSIC EMERGE.



In 1875, the combined genius of Jules Audemars and Paul-Edward Piguet gave birth to one of watchmaking's greatest achievements: the Grande Complication. A masterpiece that set a standard of excellence which Audemars Piguet has maintained ever since.

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Adjustment of the ERM currencies is becoming increasingly likely, writes **Peter Marsh**

The case for a realignment

THE PRESSURES for a realignment of the European exchange rate mechanism are growing, as a result of the strong D-Mark and mounting doubts about economic and monetary union.

Such a change would probably lead to a two-speed system for linking Europe's currencies, in which the values of the strong currencies in the system were increased while the weaker ones were depressed.

Such a move would receive less than rapturous welcome from individual governments, particularly from those countries deemed to have "second class" currencies under the new system.

It would also worry those who believe that sticking to the existing parities governing the ERM's 10 currencies is essential if downward pressure on inflation across Europe is to be maintained.

But a growing number of international economists believe a French rejection of Emu in its September 20 referendum on the Maastricht treaty might trigger unstoppable pressures for an ERM realignment, the first since 1987.

Mr Paul Chertkow, head of global currency research at UBS Phillips & Drew, the Swiss Bank, said: "A No vote would stop Emu in its tracks. It would almost certainly lead to a big bout of selling of the weak ERM currencies such as the pound and the Italian lira, and force a realignment on to the political agenda."

Mr Winfried Hutmann, head of research at Schröder Münchmeyer Hengst, a German investment bank, said a realignment would be welcome because it would "allow room for a downward movement in some European currencies and speed up European growth".

Behind such statements are the special circumstances of German unification which has increased German inflation, and led to high interest rates. These have pushed the D-Mark to new highs, and also forced other ERM nations to adopt similarly tight monetary policies.

The UK Chancellor, Mr Norman Lamont, yesterday tried to calm currency markets by confirming government policy on the pound. "We have had a difficult past few days which has been due to the strength of the D-Mark and the weakness of the dollar," he said. "Sterling has actually appreciated very considerably against the dollar. But.... there are going to be no devaluations, no leaving the ERM. We are absolutely committed to the ERM. That is our policy. It is at the centre of our policy.

"We are going to maintain sterling's parity and we will do whatever is necessary. And I hope there is no room for any doubt about that at all, that the government is determined to maintain our position."

Another important factor is the increasing doubts over whether Emu – which is supposed to lead by around the end of the century to a single European currency, presided over by a single European central bank – will go ahead on schedule.

The tight targets for Emu agreed at the end of last year related to inflation and government borrowing persuaded many investors that the weak currencies in the system would be "hardened" by the process of moving towards union. That has helped to increase buying support for weak currencies, which have included the pound and lira, together with the Spanish peseta and the Portuguese escudo

But the theories about currency "hardening" have received a blow from strong indications that France, one of Emu's prime movers, might decide to reject the concept.

If the French vote No, then a wave of buying for the currencies regarded as strong – including the D-Mark and probably those of France, Belgium, the Netherlands and Denmark – can be expected. Would the resulting large increase in their value – and the lowering of the values of the weak currencies – spell the end for the ERM? Mr Dieter Wermuth, head of research at the Frankfurt office of Caisse des Depots, the French financial agency, said: "After the initial panic, the ERM will survive. The ERM is more important than Emu."

According to Mr Michael O'Hanlon, an international economist at the London office of Kidder Peabody, the US investment bank, a continuation of the ERM after a No vote would almost certainly require a realignment to depress the values of the weaker currencies and allow countries like Britain and Italy to cut interest rates and speed growth.

Of concern to the UK government is the danger of the financial markets interpreting such a move as a straightforward sterling devaluation. In this case, according to some economists, the markets might require higher, rather than lower, UK interest rates.

But Mr George Magnus, international bond economist at S.G. Warburg Securities, the UK investment house, thinks the risks for Britain of a move of this kind would be worth taking. "On balance, a realignment would have beneficial effects for the European economy. If the realignment involved the whole of Europe and was dressed up as being made in the context of the unique circumstances of German unification, then I think, in the case of Britain, that the markets would be forgiving."

Latest opinion poll deals blow to Mitterrand

By Alice Rawsthorn in Paris

PRESIDENT François Mitterrand's hopes of a positive result in next month's referendum were dealt another blow yesterday by an opinion poll indicating that a majority would vote against ratifying the Maastricht treaty.

The poll, conducted by the IPSOS market research consultancy for Le Point magazine, indicated that 52 per cent of the electorate intended to vote No on September 20.

It is the second poll so far to show a majority for the anti-Maastricht faction. The first to do so was a BVA study published on Tuesday. The other three polls released this week have shown slender majorities in favour.

The French government said yesterday that the Yes campaigners should be stung into action by the spate of opinion polls showing an advancing negative vote.

"I hope these polls will have the effect of an electric shock. It has already started, the Yes advocates are mobilising," European Affairs Minister Elisabeth Guigou said after the weekly cabinet meeting.

When the interviewees in yesterday's poll were asked why people would oppose the ratification of the treaty, 47 per cent cited opposition to Mr Mitterrand and 39 per cent hostility to Europe.

So far the anti-Maastricht lobby is believed to be running a better campaign: 33 per cent of the poll said so, compared with 19 per cent who praised the pro-Maastricht campaign.

A French government spokesman said yesterday Mr Mitterrand was taking a risk in campaigning for Maastricht. "He has to undertake the difficult exercise of presenting Mitterrand the European and hiding Mitterrand the socialist," he said.

● Mr John Major, the UK prime minister, is considering a request from the French TV1 television channel to make a live contribution to a televised debate on Maastricht next Thursday evening, writes **Alison Smith in London.**

Downing Street said yesterday there was a purely logistical problem, in that the premier had engagements for the evening. No decision would be taken, however, until after the close of the London conference on the former Yugoslavia.

The Foreign Office advice to Mr Major will include an assessment of the likely reaction of Mr Mitterrand – both to a refusal as well as an acceptance. But the prime minister will also want to consider the potentially damaging domestic political effects of a decision to go ahead.

Although Mr Major has repeatedly made clear his own commitment to implementing the Maastricht deal, any move to intervene in the French referendum would antagonise Tory Euro-sceptics afresh.

It would also give Labour an opportunity to highlight the irony of the UK government urging others to accept the treaty from which it had obtained the ability to "opt out", both from the social chapter and from progress towards economic and monetary union.

FRENCH VOTING INTENTIONS

Pollster	Date	Yes	No
Le Monde/TF1/Sofres	May 15	68%	32%
Le Parisien/CSA	June 4	69%	31%
Paris-Match/BVA	June 8	63%	37%
Le Parisien/CSA	June 24	56%	44%
Le Figaro/Sofres	July 1	61%	39%
Liberation/IFOP	August 2	57%	43%
Paris-Match/BVA	August 5	56%	44%
L'Evenement du Jeudi/CSA	August 19	53%	47%
L'Express/IFOP	August 25	51%	49%
VSD/Louis Harris	August 25	52%	48%
Paris-Match/BVA	August 25	49%	51%
Le Figaro/Sofres	August 25	51%	49%

"Liberty, I cherish your no" proclaims a poster put up in Paris as part of the campaign to persuade the French to reject the Maastricht treaty in next month's referendum

Finland raises interest rate in bid to stem capital outflows

By Robert Taylor

THE Bank of Finland raised its tender rate to 17 per cent from 15.5 per cent yesterday to try to stem capital outflows and calm international financial markets. The action followed a steep rise in Swedish interest rates.

The troubles of the ailing Finnish economy, however, show signs of coming to an end. Yesterday the Organisation for Economic Co-operation and Development published its annual survey on Finland which suggests that last winter's devaluation and wage restraint have helped to boost exports and improve business confidence.

In a surprisingly optimistic survey the OECD points to a 3.3 per cent increase in GDP next year after a decline of 6.1 per cent in 1991 and 1.3 per cent this year.

It also predicts a surge in industrial output of 5.5 per cent in 1993 after a drop of 9.3 per cent last year and a 1 per cent increase this year. The survey sees a powerful export led recovery with a 7.5 per cent improvement in exports in 1992 and 8.5 per cent next year. Unemployment may fall to below 11 per cent next year.

But the OECD cautions that these signs of positive improvement are partly based on an assumption of a substantial recovery in markets for Finland's forestry products. However it warns the "main uncertainty underlying the projections lies with the fragility of the financial system".

It believes the increased share of non-performing loans in banks' balance sheets and the large fall in the value of collateral of many loans, as well as further difficulties in the banking sector, may lead to a sharp reduction in the availability of credit which could significantly delay the recovery.

Markets focus on Sweden's budget deficit

By Robert Taylor in Stockholm

YESTERDAY'S 3 percentage point rise in the Swedish central bank's key marginal interest rate to 16 per cent underlines the gravity of the crisis of confidence shown by the financial markets in the handling of the economy.

Observers believe it will provide a breathing space but not a solution.

The financial markets have their attention firmly focused on the size of the budget deficit – likely to be SKr140bn (£13.7bn) or more this year – and the seeming lack of government willingness to tackle the problem.

Unless the non-socialist minority government can reach broad agreement this autumn with opposition parties on economic policy the markets believe a solution will not be forthcoming and the outflow of capital, soaring interest rates and a plummeting stock market could persist.

Last night the prospects of a political deal emerging which would satisfy market demands that the government rein in the burgeoning budget deficit looked doubtful. In part, this is because the government of Prime Minister Carl Bildt continues to play down the severity of the crisis.

Mr Bildt believes the "markets are wrong" and ought to appreciate the government is sticking to its bold free market strategy. "Our problem has been with us all the time since we took office last October", Mr Bildt told the Financial Times yesterday. The deficit will "come down gradually," as the economy improves, he says, but the central bank is less sanguine.

"They [the markets] have come back from their holidays and woken up to reality", said a bank official.

The turbulent events of the past few days have come as a bewildering shock to Mr Bildt and his four-party non-Socialist coalition, who are standing firmly together at the moment.

Its slow reaction to the negative signals from the markets suggests it sees no reason to change economic course. But to the markets and the Central Bank the answer to Sweden's financial troubles lies with the politicians.

Mr Bildt lacks an overall majority in parliament and has had to rely on the right-wing populist New Democrats, seen by the markets as unreliable.

Last spring the New Democrats caused a setback to the government's budget plans by refusing to agree to the abolition of part-time pensions, and they continue to threaten government policies.

What the markets would like is not the government's downfall but a broad economic agreement across the parliamentary spectrum, including the opposition Social Democrats. This approach is now the norm in other Nordic countries such as Denmark.

Mr Poul Schlüter, the Conservative Danish prime minister, has held power for nearly 10 years by making compromises with opposition parties.

The Swedish government and the Social Democrats agree on a substantial number of issues. They both support the present exchange rate policy and rule out any devaluation of the currency.

They also want to link the krona to the exchange rate mechanism of the European monetary system as soon as possible. Both agree there must be no further unfinanced tax cuts and they accept broadly the need for more structural change.

Some Social Democrats, such as finance spokesman Mr Allan Larsson, call for fiscal prudence and see the deficit as a problem. But many in his party seek bigger spending to cut rising unemployment.

Yesterday Mr Bildt said he wanted "as broad a political support as possible" for economic policies but personal antipathy between himself and Mr Ingvar Carlsson, the Social Democratic leader, suggests it will be hard to secure any genuine understanding.

However, if the markets are not satisfied by what the government does, the country's financial haemorraging looks set to continue.

Germans seek way to halt refugees

By Leslie Colitt in Berlin and Christopher Parkes in Bonn

GERMANY'S leading parliamentary parties are to start talks on September 9 in an attempt to draft a formula for changes in the constitution needed to dam the flow of asylum seekers.

Expert negotiators have been asked to prepare the ground for urgent talks between party leaders.

Meanwhile, more than 1,000 police were out guarding asylum-seekers' hostels in Rostock, the Baltic port where the latest outbreak of racist violence began at the weekend.

Assaults are also expected elsewhere, and refugee hostels throughout the country are more heavily guarded than usual.

Rostock police said yesterday that of the 244 people arrested in the past four nights only half came from the town.

Around 40 had come from Berlin and 22 from Hamburg, reinforcing theories the rioting was planned and marshalled by neo-Nazi groups, rather than a "spontaneous" outbreak.

Right-wing militants yesterday threatened to continue their attacks on asylum seekers and the police until next week's anniversary of Nazi Germany's invasion of Poland 53 years ago.

Rostock police said the warning that the riots would continue until September 1, the anniversary of the 1939 invasion, was being taken seriously. The neo-Nazis had boasted that by then, they would make Rostock *Auslanderfrei*, a macabre reference to Nazi Germany's policy of exterminating the Jews in occupied countries.

Nerves in the city were at a raw edge after the fourth consecutive night of violence. Nearly 800 east German youths supported by neo-Nazis from west Germany threw Molotov cocktails and paving stones at 1,600 policemen, including frontier and riot police from the west.

Nearly 70 policemen were injured in the latest nightly clashes, several with severe burns. Ten rioters were arrested, one for the attempted murder of a policeman. An investigation was launched against another 41 demonstrators, mainly for serious breaches of the peace.

The rioters turned their wrath against the police as the last asylum seekers from Vietnam were evacuated following Monday's night of terror in which their hostel was set ablaze.

The Rostock police said many citizens who had applauded the demonstrators in the first two days of assaults were appalled by the attacks on the police.

Rostock's inhabitants are critical of Bonn and the opposition for failing to stem the inflow of asylum seekers, most of whom come for economic reasons.

Volatile times ahead for EC's equity markets

The French vote on Maastricht treaty is making brokers jumpy, reports **Antonia Sharpe**

EUROPEAN equity markets have fallen heavily from their May peaks, and there could still be some nerve-racking weeks ahead.

German shares, as measured by the DAX index, are 18.7 per cent per cent below the level reached in May. France's CAC-40 has dropped 19.7 per cent and Italy's BCI index, burdened by additional problems such as a long wait for a new government after the April election, has fallen by 28.6 per cent. Volumes have been low across the continent during August, but much of the decline happened before the holidays.

The consensus of European equity market-watchers is that any further drop is likely to be limited to around 4-5 per cent in the run-up to the French referendum on the Maastricht Treaty on September 20. But severe volatility cannot be ruled out.

Since the start of the summer, the markets have adjusted to several disappointments: the rejection of the Maastricht Treaty by Danish voters; the increasing weakness in the dollar; diminishing hopes for a recovery in the US and UK economies; a poor corporate reporting season in Europe and economic uncertainty in Japan.

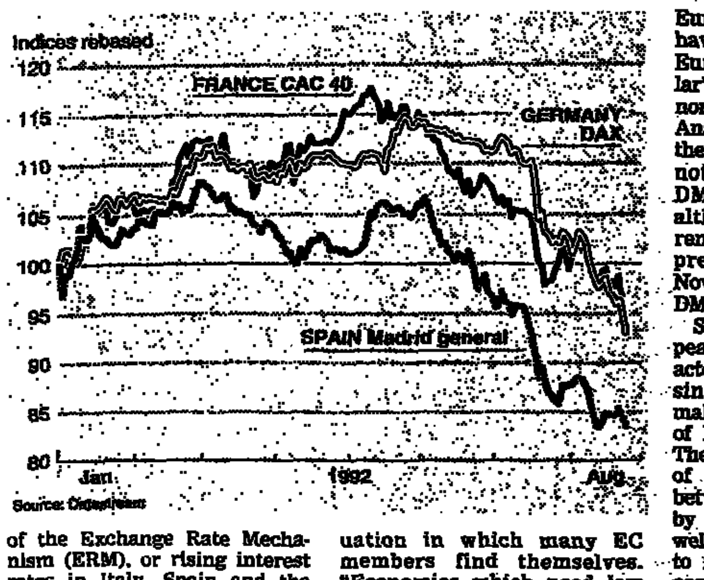
Analysts have cut earnings forecasts and the markets have tended to ignore any pleasant surprises among companies' interim results.

In the first quarter of 1992, shares in cyclical industries sped ahead on hopes of an upturn. According to the FT-A World Indices, by the end of the first quarter, the European chemical sector rose 9.1 per cent in local currency terms, while cars rose by 8.5 per cent and car components by 20 per cent.

But recovery expectations dimmed and by the end of the second quarter chemicals had fallen back by 1.6 per cent, the gain in car shares had been reduced to 1.6 per cent and in the component sector to 9.8 per cent.

Since then, poor interims and downgradings in earnings forecasts have taken 9.5 per cent off chemicals, 21.9 per cent off cars and 11.7 per cent off components.

The outlook is dominated by the French referendum on Maastricht. A "no" vote may have been largely built into French equity values, but other continental markets have not discounted the possible consequences of a "no" vote, such as a radical realignment of the Exchange Rate Mechanism (ERM), or rising interest rates in Italy, Spain and the UK.



Morgan Stanley's strategist, Mr Richard Davidson does not rule out a devaluation against the D-Mark of the lira, the peseta, and the pound sterling, but he believes the benefits would be fleeting.

Nobody would applaud a "no" vote more than Ms Lisa Hosking, strategist at Credit Suisse First Boston. She says it would break the untenable situation in which many EC members find themselves. "Economies which need low interest rates have high interest rates and their governments cannot act freely."

However, Mr Davidson argues that a French "yes" vote, followed by ratification of the Maastricht Treaty by the British and German parliaments would create a bullish scenario for European bourses: German interest rates would come down, stimulating economic growth in Europe.

European equity investors also have to consider the effects on European earnings of the dollar's decline and of the economic slowdown in Germany. Analysts generally agree that the bottom for the dollar may not be far off at around DM1.30-DM1.35, and that although the currency will remain volatile until the US presidential elections in November, it could rebound to DM1.65 next year.

Some analysts say the European markets have over-reacted to the dollar's weakness, since dollar earnings only make up between 2-4 per cent of European earnings growth. The likelihood of a narrowing of interest rate differentials between Germany and the US by the middle of next year as well as a move by institutions to increase their underweight position in dollar-denominated assets should lend support to the US currency.

Germany is more of a problem. Its economy is slowing and there are no signs of interest rates coming down quickly enough to provide the necessary stimulus. Some analysts warn that the Bundesbank is trying to get the economy back to the way it was in the late 1980s, an impossible task following reunification.

Another drag on the German stock market is its heavy concentration of cyclical and export-dependent industries whose earnings downturn has not yet been factored into equity values. Analysts believe German companies face a greater problem regarding their profit margins than other north European economies, which makes their earnings outlook more vulnerable.

The current environment does not lend itself to the outperformance of one sector against the other, analysts say. By contrast, individual stocks are being singled out by increasingly selective investors in the light of each company's interim earnings.

Any signs of lower interest rates would get the financial sectors moving ahead, with the quality stocks rising fastest. It could also herald a switch back from defensive sectors, such as utilities and food, into the cyclical industries.

Low volume and uncertainty work both ways, however. If next week, European fund managers return, refreshed and invigorated from their holidays, any sudden decision to buy at current, depressed levels could send prices sharply higher, at least for the short term.

BUSINESS LOCATIONS IN EUROPE

The FT proposes to publish this survey on October 21 1992.

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Owen likely to head EC peace drive

LORD OWEN, the former British foreign secretary, looked certain yesterday to succeed Lord Carrington as the European Community's chief peace negotiator for Yugoslavia, after France tacitly waived earlier reservations, writes Ivo Dawnay.

Barring last-minute hitches his endorsement could be formally announced today, although it is believed France is insisting he revoke publicly his controversial comments last month when he argued for direct military action against Serbs.

Once appointed, Lord Owen – until last April Dr David Owen, one-time leader of the UK's now-defunct Social Democratic party – would work alongside Mr Cyrus Vance, UN negotiator, as co-chairman of the peace machinery being set up at UN headquarters in Geneva.

At a meeting of EC foreign ministers on Tuesday night a French representative voiced reservations over the substitution of Lord Owen for Lord Carrington, citing the former's hardline stance on Serbian aggression in Bosnia.

However, there was little support for the alternative candidate, Mr Thierry de Beauce, Lord Carrington's deputy. Mr de Beauce is expected to continue in the deputy's job.

Lord Owen's succession to the high-profile post will represent a remarkable coup for a politician widely regarded in the UK as charismatic and intelligent, but also as arrogant and abrasive.

Mr Radovan Karadzic, leader of the Bosnian Serbs and a key player in negotiations, has strongly objected to Lord Owen's proposed appointment.

It has also been criticised by Britain's Labour party, for whom he served as foreign secretary under the Callaghan administration in the 1970s, and the smaller Liberal Democrat opposition party with which he had numerous disputes when leader of their one-time political allies, the Social Democrats.

Official quits over US policy

By Jurek Martin in Washington

THE middle-level US State Department official in charge of managing day-to-day policy towards the former Yugoslavia has resigned in protest against what he considers Washington's ineffectual approach.

Mr George Kenney also charged in an interview with the Washington Post that the London conference was "a charade" whose outcome was doomed to fail because of an unwillingness to exert sufficient pressure on Serbia "to stop its campaign of genocide in Bosnia".

He said many US public statements on Bosnia this year, some of which he had drafted, had consistently deleted accounts of suffering to reduce the risk of public pressure on the administration to intervene more forcefully in the region.

US policy, he said, was "made on the fly," interspersed with occasional bursts of activity by Mr James Baker, secretary of state until last Sunday, the day Mr Kenney submitted his resignation. Mostly, he added, Mr Baker was "an invisible ghost" to officials at his level, a common complaint in the State Department.

He attributed such positive developments as there were to Ms Margaret Tutwiler, the influential former spokeswoman, who, he said, was gripped by the tragedy in the Balkans. She is "in reality a bleeding heart liberal who hated scenes of people being blown up". He said of Mr Lawrence Eagleburger, acting secretary of state and a former ambassador to Belgrade, "his basic attitude is 'a pox on all their houses'. He feels we should wait until they exhaust themselves and then move in".

Panic promises salvation for a pariah state

By Laura Silber in Belgrade

SERBS are looking to the London conference with despair and anger, fearing the international community will punish them for fighting in Bosnia-Hercegovina.

Following the United Nations decision in May to impose sanctions on Serbia for backing Serb fighters in the newly independent Bosnia, the Serbs are citizens of a pariah state.

But from their point of view they are victims of an international conspiracy.

Their ire is fuelled by the media, which are tightly controlled by President Slobodan Milosevic. Belgrade television blames the war in Bosnia on "Moslem fundamentalists" and "Croat fascists", while Serbs are portrayed as innocent defenders of their homes.

Attitudes are coloured by the second world war, when hundreds of thousands of Serbs, Jews and gypsies were killed by Ustashe, or pro-Nazi Croats. The people of Serbia cannot accept today that Bosnian Serbs can be the aggressors.

The war in Bosnia, which has claimed at least 10,000 lives, is depicted not as a land grab but as a battle for survival of the Serbian nation. Serbian television does not show reports about hundreds of thousands of Slavic Moslems being driven from their homes.

Some people admit "excesses" by Serb forces. But they qualify this with protests that Croats are equally culpable in the carve-up of Bosnia, yet remain unpunished by the international community.

Inside Serbia few people hold out much hope of a change for the better.

There are no signs that the opposition parties – disorganised and no match for the propaganda machine of the ruling Socialists – can mount a united challenge to Mr Milosevic.

However, Mr Milan Panic, prime minister of the internationally unrecognised Yugoslavia, rivals the president in popularity. He appears to many Serbs to be a breath of fresh air, offering to rescue the republic from collapse.

His sense of humour and willingness to speak out contrast with the authoritarian

Opposition parties are disorganised and no match for the ruling Socialists' propaganda

and arrogant manner of Mr Milosevic.

Sanctions, which include an oil embargo, are biting and Mr Panic is offering a way out.

He has denounced "ethnic cleansing" and promised to halt its spread inside Serbia. He also appears intent on doing a deal with Serbia's ethnic minorities, who make up a third of the 9.8m population. Capitalising on his popularity, he has arrested or sacked some obvious violators of minority rights in Serbia; yesterday he removed Mr Mihaly Kertes, a deputy interior minister, for his failure to support the government's programme "of opposition to ethnic cleansing".

However, he faces resistance from warlords and ultranationalists.

Perhaps his trickiest task in ending Serbia's isolation will be to convince his people that the UN peacekeeping zones covering Serbian enclaves in Croatia are part of Croatia and do not belong to Serbia.

MAKING A POINT: UN secretary-general Boutros Boutros Ghali (right), chats to US special envoy Cyrus Vance before the opening session of the joint European Community-United Nations peace conference on Yugoslavia in London yesterday

Disparate groups vie for attention

A WORLD of infinite fragmentation along ethnic, religious or linguistic lines was the spectre raised by Mr Boutros Boutros Ghali, UN secretary-general, in an opening speech to the conference on Yugoslavia yesterday, writes Anthony Robinson.

Outside it looked as though the patchwork-quilt world was already a reality. The non-official, self-appointed spokesmen for former Yugoslavia's feuding ethnic groups vied for attention with Abkhazians and Ossetians swept up in similar conflicts by the Soviet Union's demise.

Ethnic Albanians from Kosovo voiced fears of a similar fate to that of fellow Moslems in Bosnia. Across the square, a middle-aged Kosovan-Serb widow denounced the Kosovan-Albanians for expelling her family from their ancestral home in the former Serb heartland.

Conspiracy theories and dubious histories were as thick on the ground outside the conference as inside. British Moslems attacked Bosnia's carve-up with a banner reading "Inquisition in Spain 1492 – extermination of Bosnia, 1992." They handed out pamphlets claiming "the hidden agenda of western governments is to stop the creation of a Moslem state in Europe with a Moslem majority." Maybe. But 1492 marked the expulsion of the Moors and Jews from Spain, not the Inquisition.

Serb supporters of President Slobodan Milosevic rejected Moslem criticism and characterised Serbs as the victims of Moslem chicanery. When Mr Radovan Karadzic, the Bosnian Serb leader, walked out of the conference in protest at his observer status, fellow Serbs pointed angrily at the presence of a Saudi Arabian delegation. "The Saudis are represented and the Bosnian Serbs not. That's crazy," muttered one.

However, some of those on the fringes were there to demonstrate that not all former Yugoslav citizens supported the ethnic divisiveness which has destroyed so much of their country.

Ms Vesna Pesic, from the small reformist party, was one of a group of democrats from all Yugoslavia's ethnic groups who held a counter-conference at the National Liberal Club earlier this week.

The war would never be stopped if the international community showed indulgence to the criminals who perpetrated it, she said.

Minorities plan starts to run into opposition

By Judy Dempsey

A PLAN by the London conference to tackle the crucial question of minorities in the former Yugoslavia yesterday ran into opposition from countries fearful that it might set a precedent for ethnic rights on their own territory.

The difficulties were revealed when Ambassador Peter Hall, the EC's conference co-ordinator, submitted a memorandum to all participants. It spelled out the role of the Minorities Task Force (MTF), one of six special steering committees which will start work once this week's conference is over.

The task force will try to establish a "consistent approach" to minorities throughout the former Yugoslavia. In particular, it will look at the status of ethnic Albanian minorities in the Serb-controlled province of Kosovo, ethnic Hungarians in Vojvodina, Moslems in Sandjak, and ethnic Albanians in Macedonia.

However, Romanian Foreign Minister Adrian Nastase warned of any "separate international law for Yugoslavia". Arrangements might be proposed for the specific situation of Yugoslavia which were acceptable to all parties.

Western diplomats said that Romania, as well as France, Spain, Russia and Turkey among others, are increasingly concerned that if a blueprint for ethnic minorities of the former Yugoslavia is agreed by the MTF, those principles could eventually be applied to other countries.

"Romania will never give the ethnic Hungarian minority special status, even though in parts of Transylvania, Hungarians are clearly in the majority. Instead, they will say ethnic minority rights come under the umbrella of human rights," a UN diplomat said.

If a blueprint for ethnic minorities is agreed, those in other countries could seek similar special status

"It is not only Romania which is reluctant do tackle head on the problem of ethnic rights, which is one of the crucial elements of the Yugoslav problem. If we talk about special status for Corsica, Paris would block it, or minorities in Turkey, or Bratislava [the capital of Slovakia] could block special status for the Ruthenes if they were in a majority in some region or other.

"These special committees will first have to agree among each other about the status of ethnic minorities in the former Yugoslavia because they know it will eventually affect their own countries. This is going to be a long haul."

SIEMENS
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DATAMATION, June 15,1992

U-8713-J-Z 111-1-7600

UK Tornados to record military activity in south Iraq

By Daniel Green

BRITAIN IS sending six Tornado aircraft to the Gulf today to help enforce the allied no-fly zone in south Iraq. Three will be equipped with television cameras to record Iraqi military activity against the Shia rebels in the south of the country.

The pilots and navigators, including some who served in the Gulf war, left the UK yesterday with logistic support equipment and supplies.

They are to monitor the region south of the 32nd parallel for both aircraft movement, banned under the no-fly zone rules, and for military action against the Shias.

They will not try to prevent ground attacks on Shias that Iraq might launch. Television recordings taken of any attacks will be presented to the UN Security Council and some might be made public.

The allies will, however, take "appropriate action" to prevent breaches of the no-fly zone.

The six Tornado aircraft should arrive in Dhahran, Saudi Arabia, by 3pm today, just 30 minutes before the no-fly zone comes into effect. Dhahran is 600km south of the main Shia region.

Three of the aircraft are Tornado GR1 reconnaissance aircraft which will fly "at medium height" – above 20,000ft. They are equipped with TIALD – thermal imaging and laser – observation equipment used in the Gulf war.

This time they will also be fitted with television cameras accurate enough, for example, to pick out the number of wheels on a road vehicle.

The other three are Tornado GR1A bomber aircraft fitted with sensors designed for low-level flying. They will be used in conjunction with French Mirage 2000 and US fighter aircraft, possibly F15s and F16s.

All three countries co-operate on patrols over the Kurdish region of Iraq, north of the 36th parallel, where a no-fly zone already applies.

UK defence experts said yesterday that Iraqi aircraft flew over the southern region as recently as Tuesday.

They said that Iraq was also involved in heavy construction work in the region but that it was not possible to tell whether this was a canal being dug to drain the marshland in which the Shias are based, or if a road was being built to take heavy armour deep into this difficult terrain.

The construction might be preparation for an Iraqi push into the marshlands within days. One source said Iraq had attacked the region roughly once a month since spring 1991 and the last such sortie took place at the end of July. More than 75,000 men from 10 Iraqi divisions are based around the Shia area.

Palestinians hedge optimism on Israeli plan

By Roger Matthews in Washington

THE Palestinian delegation at the Middle East peace talks yesterday described the first detailed Israeli proposals for the future of the occupied Arab territories as "a very maximalist position".

Mrs Hanan Ashrawi, the Palestinian spokeswoman, said the tone of the first two rounds of talks with Israel offered some grounds for optimism, but added: "There are actually more grounds for being very cautious and treading very carefully on terrain that might be a minefield."

She said the most important issue to be addressed was Jewish settlements and human rights in the West Bank and Gaza. She was sharply critical of President George Bush for proposing to give Israel $10bn in loan guarantees while the construction of 11,000 housing units continued.

Describing these units as "11,000 obstacles to peace", Mrs Ashrawi added: "If the US is rich enough to start distributing billions of dollars, at least it should make sure that these dollars are not used to violate its own policy and to undermine the peace process." She added that the credibility of the US as an even-handed peace broker could be at stake.

Israel is understood to have submitted three documents setting out proposals for the administration of the occupied territories over the next five years. During the final two years of that period it is proposed that negotiations would be held over the final status of the West Bank and Gaza.

In line with ideas put forward by Mr Yitzhak Rabin, the prime minister, Israel is proposing the election of a 15-member administrative council to run such activities as health, education, social welfare and transportation. The elections could be held as early as next March or April.

Mrs Ashrawi welcomed Israel's acceptance of the need for elections, but said the new government was sticking to the old policy of suggesting elections for administrators and functionaries.

"These are not people to be elected", she said. "You do not run national elections in order to appoint administrators. You have elections for a representative body which becomes the source of authority and which, in itself, appoints people who are administrators on the basis of merit and ability."

The Palestinians say that there must be "a meaningful transfer of authority". In proposals put forward at previous talks in March, the Palestinians sought national elections for a 180-seat legislature and the subsequent appointment of an executive and a judiciary.

The negotiations in Washington are scheduled to continue until September 23 and are being held in parallel with talks between Israel and delegations from Jordan, Syria and Lebanon.

● Palestine Liberation Organisation (PLO) leader Yassir Arafat yesterday told a UN conference on the Palestinian question in Geneva that American bias in favour of Israel was a "cause to abort" the US-sponsored peace talks. The PLO is officially excluded from the talks.

German banks defend low saver rates

By Andrew Fisher in Frankfurt

GERMAN banks defended themselves yesterday against charges that they were paying too little interest on savings accounts, arguing that rates paid on most deposits were well above the inflation rate.

Stung by the Federal Cartel office's decision to investigate savings rates in the Berlin area, leading banks said that most pass-book accounts – on which low rates are mostly payable – were used as cash accounts, with money available on demand.

The cartel office, based in Berlin, said it was limiting its inquiries to the city to keep down the cost and complexity of the operation. But it said the suspicion that banks were colluding to keep rates low on pass-book savings applied to the whole country.

The cartel office has written to banks informing them of its scrutiny and will send a further letter with detailed questions about their position and policies in the savings market. The banks under investigation are: Deutsche Bank, Dresdner Bank, Commerzbank, Berliner Bank, Berliner Volksbank, Grundkreditbank, Landesbank Berlin, and the Postbank.

If the cartel office finds against the banks, it can require them to lift rates. It said there were around DM500bn (£179bn) of savings in pass-book accounts, of which roughly half were subject to interest rates of less than 3 per cent. This is below the inflation rate and has hardly risen in recent years.

The cartel authorities received support from Mr Hans Tietmeyer, deputy president of the Bundesbank, who said banks should do more to encourage the expansion of savings across a wide spectrum of the population.

However, banks said the strong growth in savings deposits, helped by the switch of east German savers to higher-rate accounts, showed they were offering competitive rates. At mid-year, Deutsche Bank had DM40bn worth of savings deposits, only a quarter of which were in pass-book accounts paying an average 2.7 per cent; the rest were mostly at rates of 7 per cent or more.

To obtain higher rates, savers need a minimum of DM5,000. Pass-book accounts are for savings of less than DM2,000. The cartel office claimed this discriminated against people saving small amounts regularly to build up a larger balance.

Richard Erb, deputy managing director of the IMF, telling the press in Moscow yesterday that debt rescheduling could now be agreed

Russians vow to abide by IMF accord

By Leyla Boulton in Moscow

RUSSIAN authorities have convinced the International Monetary Fund they plan to stick to their current agreement with the Fund on the eve of debt talks with the Group of Seven.

Mr Richard Erb, the Fund's deputy managing director, said yesterday that Mr Viktor Gerashchenko, the central bank chairman, was one of those who had agreed, despite saying in a newspaper interview last week that the deal with the IMF should be changed.

His public statement appears to have been inspired more by domestic political considerations, and yesterday's show of unity with the IMF was probably necessitated by a keen desire to obtain a rapid rescheduling of the former Soviet Union's $70bn (£35.1bn) foreign debt.

A Russian delegation arrived in Paris yesterday for talks today with G7 representatives to press for a rescheduling of the debt. Russia's first agreement with the Fund, which released an initial credit tranche of $1bn while setting economic targets for this year, is a basic condition for a wider agreement on rescheduling by the Paris Club of creditor nations to agree to reschedule.

Mr Erb said the Paris Club could agree to a rescheduling before Russia concluded a full standby agreement with the Fund. The standby, setting targets for next year, is to be negotiated in September and October. If it is agreed, it would unlock a further $9bn in IMF resources that were part of a $24bn western aid package promised for this year.

Mr Erb said it was too early to say whether Russia could meet inflation and budget deficit targets agreed for the end of this year.

But although he had warned the Russian authorities against the temptations of "spending just a little more here and a little more there", he repeated that the Fund would be flexible. "There will be adaptations on the way. You cannot put in place up front a detailed road map."

President sees no progress in efforts to end his army's battle with Abkhazian separatists

Shevardnadze retracts threat of attack

By Steve Levine in Tbilisi

MR Eduard Shevardnadze, the President of Georgia, yesterday said efforts to end his army's battle with Abkhazian separatists were going nowhere but retracted a threat by his regional commander to attack the Abkhazian stronghold.

As fighting continued in the two-week conflict, Mr Shevardnadze said he was speaking daily by telephone with the leader of the uprising, Mr Vladislav Ardzinba. He also said he spoke every day with Russian President Boris Yeltsin, whom both sides see as the closest thing available to a neutral mediator.

Yesterday, Mr Shevardnadze sent an envoy with a Russian parliamentary delegation to Mr Ardzinba's stronghold of Gudauta. The delegation aims to help narrow the differences between the sides prior to a planned September 3 negotiating session between Mr Shevardnadze and Mr Ardzinba, to be overseen by Mr Yeltsin.

Mr Shevardnadze also backed away from an ultimatum issued on Tuesday by the Georgian commander in Abkhazia, Colonel Gia Karkarashvili. Col Karkarashvili made the threat – he said he would attack Gudauta directly if Mr Ardzinba did not surrender by 1pm yesterday – after the Abkhazians killed two Georgian negotiators during talks on Monday.

"Ultimatums do not work practically," Mr Shevardnadze said. "The commander-in-chief of the guards reacted this way because two of his men were killed. The only part of the ultimatum that I approved was that if they stopped blowing up bridges and railways, if they stopped all this, 'we would no longer be facing you'."

Mr Shevardnadze made it clear that he accepted a major role for Mr Yeltsin in ending the conflict. He said that, in their conversations, Mr Yeltsin had promised to try to seal up the mountain gorge of Bzipi, through which more than 1,500 forces from sympathetic northern Caucasians regions, such as Chechenia, have joined the Abkhazian side.

Russia and Georgia, the only non-Baltic former Soviet republic not to join the Commonwealth, are in the early stages of negotiating a military and economic treaty, with an estimated 100,000 Russian military personnel on Georgian soil.

Police shake-up likely in S Africa

By Patti Waldmeir in Johannesburg

AT least 10 South African police generals are expected to be forced to retire soon in a police shake-up aimed at countering widespread criticism of the role of security forces in township violence.

According to the Star, the Johannesburg daily newspaper, police generals who have failed to adapt to the new political situation brought about by government reform will be retired. A police spokesman would not confirm the report, but said the minister of law and order, Mr Hernus Kriel, would make a statement on the issue.

Such a move, involving about a fifth of the force's generals, would represent one of the most important steps yet taken by President F.W. de Klerk to tackle the problem of poor policing, which has contributed significantly to township violence. Some 7,000 people have died in such fighting since 1990.

The move could also help smooth the way for resuming talks on a post-apartheid constitution, suspended two months ago by the African National Congress, which alleged police involvement in the massacre of over 40 people at the Boipatong squatter camp near Johannesburg. The ANC is demanding government moves to tackle violence before it will resume the talks.

A report by British investigators last month found no evidence of direct police complicity in the Boipatong incident, but portrayed the police as incompetent.

The investigators said that the South African police force "suffers serious organisational problems", and lacked "adequate mechanisms for internal and external accountability, since they seem unable or unwilling to establish what action was taken by whom with what result".

In an attempt to improve the credibility of the force, which is widely distrusted by blacks, three black police generals are to be appointed, one of them as chief of "community policing", according to the Star's report.

For years the police fought a political battle against government opponents, especially the ANC, in the townships. Retirements at the level of general will not improve police attitudes overnight, but they will send an important signal to more junior officers.

On its own such a move is unlikely to break the deadlock over constitutional talks, but it would demonstrate a willingness by Mr de Klerk to face up to the problem of police partiality. However, he would still be left with the task of tackling the issue of military involvement in political murders.

UN expands help to Somalia

By Michael Littlejohns in New York

UNITED Nations efforts to help the starving people of Somalia would be greatly expanded under a plan proposed to the Security Council by Mr Boutros Boutros Ghali, the UN secretary-general.

Calling for an urgent response to the "overwhelming needs" of a desperate population, he recommended deploying up to 3,500 UN troops to ensure the delivery of food and other relief supplies.

At present, there are only 50 unarmed UN guards in the country. A Pakistani battalion of 500 troops has been approved and will be in place shortly, following agreement between the UN and Somali warlords.

Under the plan, 1,500 troops would be deployed in the south-western port of Bosasso and two other contingents, each 750-strong, would take up duty in the ports of Berbera and Kismayo.

Citibank rejects claims it violated Reserve Bank rules in Bombay securities scandal

By Shiraz Sidhva in Bombay

CITIBANK, the US bank, yesterday denied that it had violated guidelines of the Reserve Bank of India, or that it had actively financed brokers involved in the Rs35bn (£630m) Bombay securities scandal.

In a statement issued in Bombay in response to publication of an official report on the scandal, Citibank blamed the Indian banking system for irregularities in its Indian operations.

It said that if Citibank government bond transfer forms had bounced, as the report said, it was because other banks had dishonoured the forms. "This highlights the need to assess the settlement drawbacks in the entire system," it said. The bank also denied that it had "accommodated" or been involved with Mr Harshad Mehta, the key broker in the scandal, and that it had guaranteed returns to its customers under portfolio management schemes. It said fiduciary accounts were managed on the basis of a written mandate received from customers.

According to the report published on Tuesday, Citibank and Bank of America accrued large profits in the Indian financial markets by flouting guidelines laid down by the Reserve Bank of India.

Bank of America has not yet commented on the report.

The report by the Janakiraman committee of the Reserve Bank, the third in a series, found that the American banks, among other Indian and foreign banks, used portfolio management schemes as a "deposit substitute" to mobilise funds, mainly from government corporations.

Large corporate cash surpluses were attracted by the banks, especially those with more aggressive marketing strategies, by offering guaranteed rates of return far exceeding the deposit rates permitted by the Reserve Bank, and without the client bearing the risk of capital loss on its portfolio investment.

The report says that the "client's perception of the portfolio management schemes seemed to support the suspicion that they considered the funds placed under the schemes merely as deployment of short-term funds with banks in the nature of bank deposits enjoying a higher rate of interest and not subject to any risk."

To circumvent the stipulation that portfolio management funds had to be placed with the banks for a period of one year, several banks offered facilities for "ready forward", or repurchase, transactions: securities, bonds and units were sold to clients and repurchased after a specific period at a pre-determined rate which assured the client a guaranteed rate of return with no risk.

The banks would then use the money freely in the interim period to earn the highest possible return. The Reserve Bank guidelines require all transactions between a bank's investment account and portfolio account to be "strictly at market rates".

The guidelines also expressly prohibited ready forward deals in government bonds and units, but almost all the banks violated this norm, according to the report.

An indication of the magnitude of the funds collected under these schemes, says the report, is ascertainable from the fact that between April 1991 and May 31 1992, Citibank entered into ready forward transactions for an aggregate value of Rs59.72bn.

Bank of America entered into transactions for an aggregate value of Rs69.54bn. Standard Chartered of the UK operated a similar scheme, called Corporate Cash Deployment Services, for which the funds received and outstanding on March 31 this year for the Bombay branch alone are an estimated Rs7bn.

The committee suspects that a large amount of these funds were routed by banks to finance brokers through ready forward deals. In many cases, says the report, brokers may have helped to obtain these funds, especially from state-owned enterprises, "mainly motivated by the expectation that that the funds would in turn be made available to them by the banks/institutions".

The committee says it has not substantiated this suspicion, but bankers say it is plausible that the "guaranteed" returns were at levels far higher than the yields of the underlying securities, which were usually either bonds, units, or government paper. The inflated yields had to be earned elsewhere, most likely in the sharply rising Bombay stock market of 1991-92, until the bubble burst this May.

Simultaneously, the diversion of funds would be laundered under the guise of portfolio management scheme investment in units, bonds and securities through ready forward deals.

The committee highlighted the substantial value of bonds held by banks either on their own account or in portfolio management schemes and the significant erosion in their value due to the fall in market value of the bonds.

The committee's latest report focused particularly on Citibank and the Bank of America. It will carry out a similar exercise on the role of Standard Chartered and ANZ Grindlays in its fourth and final report.

Citibank was the largest portfolio manager, having innovated the scheme and accounting for 56 per cent (Rs12.98bn) of the total investment of Rs23.29bn in portfolio management schemes up to June 30 this year.

When questioned by the committee, Citibank argued that there was no violation of guidelines since these transactions went through portfolio management scheme funds and Reserve Bank restrictions did not apply to these funds.

The report lists several instances of alleged violations of the rules, for example detailing a bond deal between Citibank and Bank of America involving several brokers.

The report also says that the transactions which earlier did not tally, have shown up in the records of some other bank or institution, thus reducing fears that money had "disappeared" from the system.

NEWS IN BRIEF

Swiss claim seat on Fund board

The Swiss government has formed a group large enough to claim a seat on the governing board of the International Monetary Fund, and it has asked the IMF to create a 24th seat to accommodate it, writes Ian Rodger in Zurich.

The Swiss finance ministry said it had so far attracted Azerbaijan, Kirgistan, Poland, Tajikistan and Uzbekistan to its group, giving it 2.776 per cent of the votes on the board. This would be enough to displace the weakest group, composed mainly of francophone African countries.

Algiers bombing

A powerful bomb ripped through a crowded Algiers airport terminal yesterday, killing nine people and injuring more than 100, according to Interior Minister Mohamed Hardi, Reuter reports from Algiers.

Mr Hardi promised "draconian measures" to prevent further attacks. Algeria has been plunged into violence since authorities cancelled general elections in January after the now-banned Islamic Salvation Front (FIS) took a strong lead in the first round of voting.

France in surplus

France's trade account returned to the black last month with a surplus of FFr6.2bn (£650m), fuelled by a sharp fall in imports and a modest increase in exports, writes Alice Rawsthorn in Paris.

This means that France has had a trading surplus for six of the first seven months of this year, the exception being June. This has left an accumulated surplus of FFr22.5bn from January to July, compared with a deficit of FFr26.8bn in the comparable period of 1991.

Iran pipeline deal

Iran and Turkmenistan have agreed to build a pipeline to deliver the Central Asian republic's gas to Europe via Turkey, the Iranian news agency (IRNA), reported, agencies report.

Turkmen President Saparmurad Niyazov signed the agreement with President Akbar Hashemi Rafsanjani during a visit to Tehran on Tuesday, the agency said.

Criticism curbed

Ukrainian President Leonid Kravchuk yesterday warned foreigners that criticism of the Ukrainian president or government would be punished by expulsion, writes Chrystia Freeland from Kiev.

Speaking to Ukrainian Canadian emigrés, Mr Kravchuk said he had told the ministry of foreign affairs to prepare an order according to which foreigners who attacked the government would be declared persona non grata and expelled.

Lebanese poll

The Syrian-backed Lebanese government yesterday decided to press on with the country's first general election in 20 years despite charges of vote-rigging surrounding the first round of voting, Reuter reports from Beirut.

However, the cabinet did decide that President Elias Hrawi and Prime Minister Rashid al-Solh should discuss the fate of the election.

China acts on tax

China has ordered local authorities to crack down on foreign investors who dodge taxes, and has forbidden tax breaks to lure overseas capital, Reuter reports from Beijing.

The State Council (cabinet), in a recent circular, instructed officials to be vigilant in preventing foreign-funded companies from tax fiddling and to strive to collect more taxes, the official China Daily said. Foreign-funded companies paid 50.1 per cent more taxes in the first half of this year than in the same period in 1991.

Greeks strike

More than 100,000 workers in Greece's public sector are staging a 24-hour strike today in protest against plans to reform the heavily indebted state pension system, writes Kerin Hope in Athens.

Employees at state banks, transport organisations and utilities plan more walk-outs next week, aimed at forcing Prime Minister Constantine Mitsotakis's government to modify a new law that will raise the retirement age and cut pension payments.

NEWS: AMERICA

Congress panel accepts Collor corruption report

By Christina Lamb in Rio de Janeiro

BRAZIL's first presidential impeachment process seems set to go ahead, after the approval by a special congressional commission of a report that accuses President Fernando Collor of widescale corruption.

By lunchtime yesterday, a majority (14 out of 21) of the commission members had voted to accept the report, including two senators who had been expected to support Mr Collor. Mr Marcelo Barbieri of the Democratic Movement (PMDB), the main opposition party, said: "To vote against the report is to vote against morality."

While the voting was under way, protesters expressing the growing opposition to the president gathered outside the Congress in Brasília calling for him to resign. Security around the presidency building was reinforced.

As street protests increase, those parties supporting the government are wavering, fearing their candidates might suffer in municipal elections in October. One minister told the Financial Times that Mr Collor no longer had the 168 votes needed in Congress to stave off an impeachment initiative.

The two main pro-government parties are split internally. Mr Paulo Maluf, head of the Social Democratic party (PDS), estimated that 30 of his 44 members would vote for impeachment. Members of the Liberal Front (PFL) from Minas Gerais state said they were withdrawing their support from Mr Collor.

The minister said the president would not quit and seemed to be "living in the clouds". He added, however, that the country was being governed by the cabinet under Mr Marcílio Marques Moreira, economy minister. "We are staying on, not out of support for Collor but to make sure that at least the administration continues to function," he said.

On Tuesday night there were big demonstrations throughout Brazil and political parties used their television time for the election campaign almost exclusively to attack Mr Collor. Mr Tasso Jereissati, president of another social democratic party, the PSDB, said yesterday: "There will soon be a complete national consensus behind impeachment of the president."

An impeachment request by the head of the Brazilian Journalists' Association and a leading lawyer is expected to be made next week.

A two-thirds vote in Congress is required for the process to begin, at which point Mr Collor would be suspended from office.

Durable goods orders fall 3.4%

By Nancy Dunne in Washington

NEW orders for manufactured durable goods, a key indicator of the US economy's health, fell 3.4 per cent last month, the US Commerce Department reported yesterday.

The fall, the biggest since December, was mainly due to a big drop in demand for transport equipment, especially aircraft, after a revised rise of 2.8 per cent for June, previously estimated at 2.7 per cent.

The one strength in the new figures was a 2.7 per cent increase in electronic and electrical equipment orders, with a 3.9 per cent rise in shipments.

The 10 domestic US automakers reported that, despite a 31 per cent surge in truck sales, car sales had dipped 0.2 per cent for the month.

Mr Robert Dederick, chief economist of the Northern Trust Co. in Chicago, said that setting aside the decline in new orders for the volatile aircraft and defence sectors, what remains is a flat economy.

Furthermore, although the orders in the aircraft and defence sectors are volatile, they are also trending downward. "That cannot be ignored," he said. "We have an economy just creeping ahead."

Other economists have warned that without substantial increases in durable goods orders, there can be little hope for an improvement in the 7.7 per cent unemployment rate. The depressing employment outlook is reflected in the consumer confidence figures, which translate into lower sales of cars and other consumer items.

Reuter adds: Order backlogs fell for an 11th straight month, as a signal that prospects for jobs and income gains will not improve soon.

President Bush is promising more job training and unspecified tax cuts if re-elected. But analysts say lack of clear prescriptions from either Mr Bush or Mr Bill Clinton is deepening consumer pessimism.

Cultural warriors misfiring

Jurek Martin finds the Bush campaign lagging in the polls again

TO Congressman Newt Gingrich of Georgia, they can be likened to Woody Allen; to television evangelist Rev Pat Robertson they are agents of atheist lesbians; to California Attorney-General Dan Lungren, they would release convicted murderers in droves; to polemecist/politician Pat Buchanan, they are on the wrong side of a cultural and religious war, and want pre-teens to be able to sue their parents.

To President George Bush, they are rarely to be mentioned by name, though inference is fine. For him they are, mostly by implication, mere physical cowards, enviromental terrorists and without God – but everything that everybody else says about them is just fine, too. They would also tax and spend as if there were no tomorrow – and enjoy it.

The "black hats" are, of course, Governor Bill Clinton, the Democratic presidential candidate, his wife Hillary, vice-presidential candidate Al Gore, and all the Democratic political barons in Congress. The "white hats" are those with a different, more "decent" and, naturally, Republican vision of what life in America should be about.

Such is the great divide in the past week in the life of the US presidential election campaign.

The basic question for the Bush campaign, as the fervour from the Republican convention in Houston last week dissipates, is whether or not it is barking up the wrong social tree by painting an exclusionary picture of an American society that has otherwise long been characterised as a melting-pot eternally susceptible to change.

This may only be part of the broader election canvas, which also runs to more legitimate criticism of the opposition and to defence of the presidential record, especially in foreign policy. But the Republicans so far have chosen to make it a very substantial element.

The early evidence is that this decision is not working. The New York Times/CBS poll yesterday not only found Mr Clinton's lead over Mr Bush widening again, to 51:36 per cent from the single digits of convention week, but it also revealed a public far more interested in what Mr Bush (and Mr Clinton) might have to say about the economy and health care than about issues, such as the rights of homosexuals and the promotion of religion and family values, that so dominated at Houston.

Nor did the poll find much interest in the sort of changes in society that Mr Bush advocates – in effect a return to the traditional nuclear family around one male breadwinner, car-pooling and church. No fewer than 95 per cent of those surveyed agreed there was a need for "real change in the way things are going in the country". Only 15 per cent (and only a third of Mr Bush's supporters) thought the president could bring that about; 61 per cent thought Mr Clinton could.

Only in the Deep South, where the fundamentalist strain runs deepest, and among Roman Catholics, those most exercised by abortion, had Mr Bush significantly trimmed his pre-convention deficit. Even Mr Robert Teeter, campaign chairman and a veteran pollster, conceded he thought that nationally Mr Bush was still behind "about 50-40 per cent". The president, on a personal approval rating still below 40 per cent, is reading and hearing with distressing frequency that no incumbent president has recovered from such depths so late in the campaign and won re-election.

Earlier surveys this week from Time and Newsweek magazines had come to much the same conclusion. Time found only 10 per cent subscribing to the Republican party platform's view that abortion should be made illegal in all circumstances. An accompanying article quoted a construction company executive as saying he rated family values as a campaign issue behind "counting all the sand on all the beaches in the world".

BILL'S OPENING: Governor Clinton about to address the American Legion convention in Chicago this week

The nature of the Republican onslaught has given a field day to the president's critics. Mr George Will, conservative columnist, yesterday described the Bush campaign as an "intellectual slum", with "its riff-raff of liars and aspiring ayatollahs". A New York Times editorial said that moderate Republicans and principled conservatives "have every reason to worry about the drift of their party into the hands of those who would use faith as a cudgel".

The Bush campaign dismisses such criticism as a reflection of the liberal media's bias, though no liberal has ever claimed Mr Will as a soulmate. Moreover, the distaste expressed in print and on the air from both sides of the political divide does help shape public perceptions, as any listener to a radio talk show quickly discovers.

The president had hoped he could get away by seeming above the most partisan and personal of the onslaughts, especially those directed at Mrs Clinton, portrayed as the ultimate radical feminist. But, since the convention, he has shared platforms with both Mr Gingrich and Rev Robertson, and expressed no visible dissent.

Nor has the president dissociated himself in the slightest from the bleak description of cultural and religious warfare conjured up by Mr Buchanan, whose campaign in the Republican primary elections against Mr Bush, for what he used to call "the soul of the Republican party", only attracted a quarter of the party electorate.

The inevitable conclusion is that Mr Bush is being increasingly seen as a captive of the exclusionary religious and ideological right. This alone cannot win him another term in the White House. Another tactical shift in his campaign seems very probable.

Cuba seeks UN debate on embargo

CUBA wants the UN General Assembly to debate, for the second year running, the US economic embargo against the island which Havana says is illegal, Cuban state media said yesterday, Reuter repots from Havana.

A written request for the issue to be included in the agenda of the next assembly session, starting next month, was sent recently to UN secretary-general Boutros Boutros Ghali by Cuba's ambassador to the UN.

The subject was debated at the UN last year but Cuba's government backed away from demanding a formal vote on a resolution condemning the embargo, apparently because it could not muster enough support for its passage, diplomats said.

Cuba is condemning what it calls recent moves by the US government to tighten the trade restrictions, imposed by Washington 30 years ago soon after it broke off diplomatic ties with Havana.

Mistrial in case of Iran-contra official

By Jurek Martin, US Editor, in Washington

A MISTRIAL was declared yesterday in the US case of former senior Central Intelligence Agency official Mr Clair George, accused of concealing his knowledge of the Iran-contra affair.

The jury was unable to reach agreement on any of the nine criminal charges, which included obstructing Congressional and grand jury investigations into the affair.

Almost simultaneously, President George Bush said he had no knowledge of a 1987 memorandum, apparently at odds with his version of events, submitted as a court document in the Iran-contra case against Mr Caspar Weinberger, former US defence secretary. "I've told very openly everything I've had to say about that," Mr Bush said.

The memo was dictated in August 1987, by Mr George Shultz, then secretary of state, and took exception to Mr Bush's claim in a newspaper interview the previous day that he might have opposed the operation by White House aide Lt-Col Oliver North, if he had he been aware that Mr Shultz and Mr Weinberger were objecting to it so vigorously.

The memo records: "Cap [Weinberger] called me and said, that's terrible. He [Bush] was on the other side. It's on the record. Why did he say that?"

A second trial for Mr George was set for October 19.

Mr Weinberger's case, also on charges of unlawfully withholding information, will be heard in early January.

In the end, the jury was unable to decide between the conflicting evidence of Mr George and Mr Alan Fiers, a former friend and subordinate at the CIA, who pleaded guilty in July to lesser charges in return for co-operation with the prosecution.

NEWS: WORLD TRADE

EC must solve oilseeds row soon, says Hills

By Nancy Dunne in Washington and Reuter in Brussels

THE European Community has to come up with a quick solution to the oilseeds row if it wants to avoid US retaliation, Mrs Carla Hills, US trade representative, said yesterday.

"Our timetable on this oilseeds dispute is immediate, indeed it is yesterday. We are well overdue to have a solution there," Mrs Hills declared. "I'm certainly hopeful Europe will find a solution, because we have no choice, we will have to take action if we don't (agree) in the very near future."

Washington says its soyabean growers had been hurt by EC subsidies, and the General Agreement on Tariffs and Trade (Gatt) has twice ruled in its favour despite a revamp of the EC system after the first ruling.

The US has drawn up a list of EC food and drink imports worth $1bn (£502m) on which it says it will impose prohibitive duties if it does not get satisfaction.

On Monday, the American Soyabean Association (ASA), urged Mrs Hills to proceed immediately to implement retaliatory action against the EC. "We do not make this recommendation lightly," said Mr Steve Yoder, president of the ASA. "Unfortunately, EC unwillingness to make substantive reforms in its internal oilseeds subsidy regime has left our industries no other options."

Lack of progress against the EC oilseeds regime after five years undermined confidence in rule enforcement under Gatt, he added.

The row is being handled under a Gatt disputes procedure which allows 60 days to find a solution that may include compensation. The deadline expired last week but Washington has so far not published its list of retaliatory duties.

Failure to find a solution could undermine the standing of Gatt as a troubleshooter, Mrs Hills said yesterday.

"If panel reports are to be treated with such disdain, and there is not to be a credible response, you really have a lack of credibility," she said.

"If we don't have a decent disputes settlement mechanism, it really puts tremendous pressure on nations to stand by Gatt. I don't think that is what Europe wants, I surely hope that is not what Europe wants."

Neighbours build up links with Pretoria

Philip Gawith on a struggling region which has found a new level of co-operation

ECONOMIC need has concentrated political minds in southern Africa where seven countries are co-operating in the handling of 8.2m tonnes of maize imported into the region, which has been devastated by one of the worst droughts this century.

At the heart of the scheme is Spoornet, the state-run South African rail company, enjoying a level of regional co-operation which would have been unthinkable during the apartheid years.

Although co-operation over the shipments was prompted by fears in some areas of possible starvation, it is also a sign of it being more acceptable for South Africa's neighbours to be seen doing business with it now that a transition to democracy is under way. This raises the question of what steps South Africa should take to integrate itself formally into the region and what sort of economic assistance the international community can offer.

At the heart of these issues lies one broad plank of consensus: the southern African region will prosper or perish as a unit. Although differences in wealth and resources between countries mean that there will not be an even rate of progress or failure, it is inconceivable that South Africa will flourish in splendid isolation or that its neighbours will progress without it.

South Africa is well aware, in the phrase of Dr Anton Rupert, the famous tobacco entrepreneur: "If your neighbour doesn't eat, you don't sleep peacefully." Already there are 27,000 Mozambican refugees living in the eastern Transvaal, victims of drought and civil war. Refugees are also filtering into the northern Transvaal from Zimbabwe.

Not only does this sort of inflow strain limited resources, but the economic fragility of South Africa's neighbours also limits what ought to be important export markets. According to a recent study by the London-based Overseas Development Institute (ODI)*, Africa accounts for only 7 per cent of South Africa's exports, with a quarter of this going to Zimbabwe.

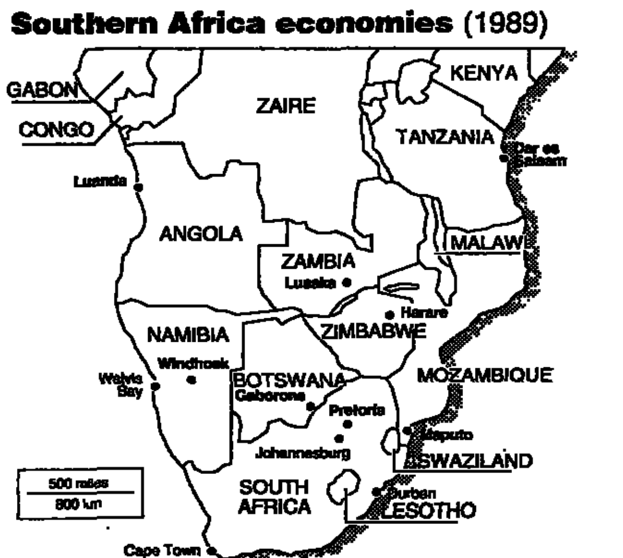
Aside from trade and humanitarian concerns, regional politicians are also aware that, in an era of capital scarcity, they have a lot of work to do if they are to garner even a fraction of international capital flows, very little of which currently come to Africa.

The main obstacles to foreign investment in the region are problems of political instability, economic decay and a dilapidated infrastructure. However, the recent talks between Mozambican President Joachim Chissano and rebel Renamo leader Afonso Dhlakama, the upcoming elections in Angola, and South Africa's transition process all represent important progress, albeit of a very fragile kind.

Peace, however, is only the first step. The extent to which governments will subsequently be able to forge a framework of economic co-operation remains to be seen.

The potential for regional integration is also complicated by South Africa's dominant position whereby its gross national product (GNP) exceeds the combined GNP of the 20 member countries of the two regional trade groupings – the Preferential Trade Area (PTA) and the Southern African Development Community (SADC), the new version of SADCC – by about 40 per cent. Conventional wisdom suggests that greater economic convergence is necessary for successful integration.

Southern Africa economies (1989)



	Population (m)	Total GNP ($m)	GNP per capita ($)
Angola	9.70	6.014	620
Botswana	1.22	1.947	1,600
Lesotho	1.72	0.809	470
Malawi	8.23	1.481	180
Mozambique	15.36	1.229	80
Namibia	1.30	1.525	1,173
Swaziland	0.76	0.685	900
Tanzania	25.63	3.075	120
Zambia	7.84	3.056	390
Zimbabwe	9.57	6.219	650
South Africa	34.93	85.916	2,460

Source: University of Natal

In their more sanguine moments, South Africa's neighbours look on it as a market for their goods, and a source of funds for projects which other international investors or governments won't fund. Underlying that, however, is a deep anxiety that the normalisation of South Africa's political situation may be to their disadvantage.

Thus the ODI special report, which investigates the possibility of granting financial and trade privileges to South Africa, found that the most common reaction outside South Africa when the possibility of EC preferences was raised was "incredulity". The report finds, however, that the gains from preferential trade regimes with the EC would be small because the bulk of South Africa's exports are metals and minerals which face low barriers.

The authors conclude, therefore, that since South Africa's principal economic problems are domestic, not external, foreign assistance would probably best be directed elsewhere. This thinking is likely to be consonant with the priorities of any future government, which will face overwhelming pressure to improve domestic social conditions.

Trade concessions will be welcome, and regional integration may provide a warm feeling of returning to the fold, but these issues will certainly not top any list of economic priorities.

**Trading with South Africa: the policy options for the EC. Overseas Development Institute. London. £20*

Daewoo to produce cars in Uzbekistan

By John Thornhill in Moscow

DAEWOO, South Korea's fourth-biggest conglomerate, is set to produce 180,000 cars a year in Uzbekistan from 1995, in one of the biggest automotive deals yet signed in the former Soviet Union, local agency reports say.

The Russian Interfax news service reported that Daewoo had agreed to form the car-manufacturing joint venture with Avtoselkhozmash, an Uzbek state company.

Three car models will be produced at a tractor trailer plant in Asaka.

The Daewoo deal highlights the interest that many foreign car companies are now showing in breaking into the potentially vast market in the Commonwealth of Independent States.

Yesterday, Moscow staged its first international motor show since 1913, enticing most of the big western companies into exhibiting some of their latest models.

Mr Andrei Loginov, president of the Russian Automobile Federation, said the Russian car market was growing by more than 600,000 units a year, including an increasing representation of foreign brands.

Many western companies said they were attending the show as a marketing exercise, but were also hoping to develop channels to distribute their cars in Russia.

Mr James Walker, a representative of Trinity Motors, which has recently started distributing General Motors cars in Russia, said the market was a lot stronger than many people realised.

"We have researched this market for two years and looked into whether there are really buyers here.

"We think about 3 per cent of people in Moscow could afford to buy a $30,000 (£15,075) car," Mr Walker asserted.

"We are talking about a total of 300,000 people."

Volvo, the Swedish car company, which has long had a representation in Russia, estimates it will sell 5,000 cars this year, more than twice the number for 1991.

R-R venture wins $140m Indian turbine order

By Andrew Baxter

COOPER ROLLS, a joint venture between the UK's Rolls-Royce engineering company and Cooper Industries of the US, has won orders worth over $140m (£70.3m) for 16 Coberra gas turbine systems.

The turbines will be installed on oil and gas platforms offshore of India, and will be part of three large projects undertaken by the Oil and Natural Gas Commission of India (ONGC).

Rolls-Royce Industrial and Marine Gas Turbines' share of the contract will be $50m for seven RB211 and nine Avon industrial gas generators.

The orders take ONGC's total of Rolls-Royce engines installed or on order to 35. All have been ordered for offshore work.

Coberra gas turbines range in power output from 10MW to 30MW, with more than 500 systems installed or on order worldwide.

More than 110 have been supplied for offshore work.

The orders have been placed by ONGC through companies involved in the three projects, including Kawasaki Heavy Industries of Japan and two Korean companies, Daewoo Shipbuilding & heavy Machinery, and Hyundai Heavy Industries.

Long-term boost for Taiwan in split with S Korea

By Luisella Mudie in Taipei

TRADE between South Korea and Taiwan will suffer initial damage after diplomatic links end between the two, but some sectors of Taiwan industry expect to benefit in the long term from the split.

Taiwan made known its intention to sever diplomatic ties with Mr Roh Tae-woo's government last weekend, calling the recent Seoul-Beijing reconciliation "a hostile and unfriendly act".

At the same time, Mr Frederick Chien, foreign minister, said preferential import tariffs and quotas which helped create a $494m (£248m) deficit with South Korea in 1991 would be scrapped, and direct air links, except by foreign carriers, suspended on September 15.

Despite pledges by Mr Vincent Siew, economics minister, that South Korea would receive the same treatment as non-privileged trading partners, Taiwan's anger at not being informed earlier of Seoul's decision to recognise Beijing has prompted some retaliatory action.

South Korea's car import quota for 1992 will be cut short only two-thirds filled, the National Consumer Association has urged a boycott of South Korean goods, and Mr Eugene Chien, communications minister, has said South Korean bids for infrastructure projects in the six-year plan, assessed at $300bn, would not be welcome.

The break was a blow for Taiwan's government, but analysts say trade volume with South Korea is too small to have much effect on the island's export-led economy.

South Korea is Taiwan's 13th biggest trading partner, and two-way trade totalled $3.03bn last year.

Mr Siew said Taiwan would "maintain civilian, economic and trade ties with South Korea based on reciprocity and mutual benefit".

A South Korean delegation is expected in Taipei in September to discuss formation of unofficial ties; officials expect direct flights to return to normal once new links are cemented.

News of the Taipei-Seoul split was welcomed in the steel, petrochemical and shipping industries, which have complained of dumping and undercutting of rates among their South Korean competitors.

An official of Taiwan's Iron and Steel Industries Association said: "We had plenty of evidence [of dumping], but when it got to the cabinet, diplomatic considerations came in, and nothing was done."

Review sought of builders contracts

By Andrew Taylor, Construction Correspondent

THE GOVERNMENT has proposed an independent review of contract arrangements in the construction industry after complaints that late payments and other contract abuses are forcing many companies out of business.

The review would also examine complaints by customers that many contractors bid low prices to win contracts and then try to boost margins by making claims for additional payments during construction.

A letter to industry leaders from the construction policy directorate of the Department of Environment says there is profound dissatisfaction with existing arrangements.

It proposes that an independent review of contractual arrangements should be jointly commissioned by government and the industry. The review, which would cover public and private sector construction contracts, would be expected to report next autumn. It would cost about £250,000 and would be financed jointly.

The proposal follows complaints that many small and medium-sized sub-contractors have been pushed over the brink because payments owed to them by main contractors have been delayed.

The British Constructional Steelwork Association says more than 100 of its members and their subsidiaries have ceased trading since 1989.

It says main contractors, under pressure because of the recession, have been boosting their own cashflow at the expense of sub-contractors by withholding payments, in some cases for several years.

The government said that there was concern about the nature of contract relationships in the construction industry. The review would be the first commissioned by the government since the publication 30 years ago of the Branwell Report into construction contract practices.

Lamont statement defends policy

By Alison Smith

THE sight of Mr Norman Lamont, the chancellor of the exchequer, making a dawn statement on the Treasury doorstep in central London put the spotlight even more intensely on the link between his own political future and the government's rejection of devaluation, highlighting the division of opinion among government MPs.

Habitual critics of the government's exchange rate policy renewing their warnings, while other MPs queued up to express warm support for the chancellor. But on both sides of the division, MPs continued to talk of a rise in interest rates as a real possibility.

Sir Teddy Taylor, chairman of the dissident Conservative European Reform Group, said that he believed the government would have to change its policy, and that this would severely jeopardise the chancellor's position. "I feel that the chancellor, by his unusual statement, has put his head on the block because clearly if the government is forced to move away from the present policies his continuance in office will be virtually impossible," he said.

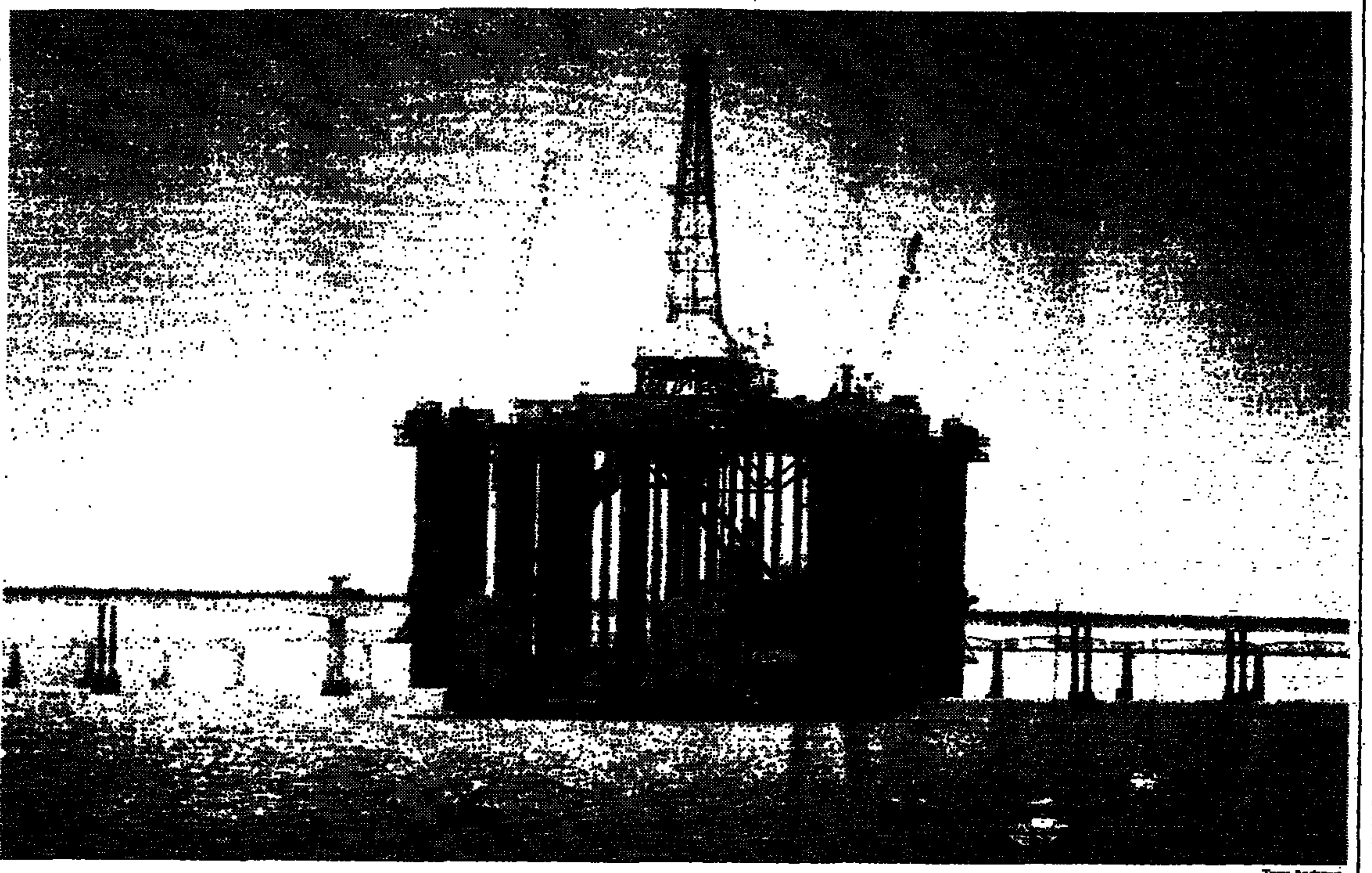
Mr John Watts, the Tory chairman of the all-party Treasury committee of MPs, said that this could yet be the moment at which interest rates had to rise as the markets seemed to have become "doubting Thomases".

While an increase in interest rates would be unwelcome, he said, it would be far more damaging if the chancellor had not emphasised his readiness to take appropriate action. He dismissed Sir Teddy's comments on the prospect that Mr Lamont might be forced from office.

The repeated calls of Tory Euro-sceptics such as Mr Toby Jessel MP for the UK to leave the exchange rate mechanism. were attacked yesterday by Mr Tim Smith MP, a party vice-chairman. He said that their comments were "extremely unhelpful" while sterling was under pressure.

He also made clear his view that they were unrepresentative, saying that most backbenchers supported Mr Lamont because they knew that "if we were to follow the alternatives there is no guarantee whatever that we would be able to cut interest rates."

Treasury insiders were cheered by the chorus of helpful comments from Tory MPs in the wake of this morning's statement, but Mr Lamont's words brought a sharp attack from opposition politicians. Labour accused the government of failing to put forward new proposals to help revive the economy, and said Mr Lamont had merely continued the policy of "drift and inaction" of the past few months.



Tony Andrews

Sailing rig: the Pioneer rig is transported towards Dundee, Scotland, by Mighty Servant 1, a semi-submersible ship operated by Wijsmuller Transport of the Netherlands. The rig will undergo structural work at MacGregor Engineering before being moved to the coast of Angola, where it will be used as a floating production facility by Ghana National Petroleum Corporation. It is the first time a rig has entered Dundee port on top of a ship rather than being towed behind one

Britain in brief

GRE to end 'with-profits' endowments

Guardian Royal Exchange, the insurance company, said it will stop selling "with-profits" policies. The move intensifies speculation that investors in with-profits pensions and endowment policies – which support the majority of British mortgages – will face heavy cuts in the pay-outs they receive.

Mr James Morley, GRE's finance director, said it was possible that some insurers' current with-profits policies would not be able to pay the bonuses needed to cover mortgages.

He added: "Membership of the [European] ERM means low inflation and low returns from equities. Paying out bonuses requires a high rate of return. If you are getting a low rate of return from your assets you have a mismatch which can only be addressed by reducing bonus rates."

GRE said the days of the traditional with-profits policy were numbered. Such policies now accounted for less than 30 per cent of its new business.

Cutbacks at travel group

Owners Abroad, Britain's second largest travel company, said it would offer 100,000 fewer summer holidays next year to give some stability to the package tour market.

The announcement comes a day after Thomson, the biggest holiday company, said it was determined to restore its market share to one-third and called on its rivals to offer fewer holidays in 1993. Thomson said its market share this year had been 30 per cent.

Mr Dermot Blastland, managing director of Owners Abroad's tour operations, said his company's market share had remained constant at about 19 per cent. The company had sold 1.64m summer holidays this year, compared with an initial target of 1.75m.

Man charged in tunnel case

A man has appeared at Bow Street magistrates court, London, charged by the Serious Fraud Office with corruption in connection with a contract tender to provide pipes for the Channel tunnel.

Mr Thomas East, former procurement supervisor with H and G Engineering, a UK process engineering and management contractor, was remanded on conditional bail until September 23. He was ordered to be held in custody until he could produce sureties totalling £400,000.

The charge against Mr East alleges that on a day before June 25, 1991, he corruptly agreed to accept a gift or consideration from Mr Terence James Richmond as an inducement or reward "for doing an act or showing favour in relation to his principal's affairs, namely, providing information or assistance for the benefit of Hoesch Export AG in relation to a contract tender for pipes on the Channel Tunnel project." H and G Engineering is part of the engineering and construction division of Enserch Corporation, a diversified energy, engineering and construction company.

Rescue bid for Punch

Punch, once Britain's best-known humorous magazine, which closed in April, may be set to re-open following a bid for the title by Mr Bill Tidy, one of its former cartoonists, in conjunction with Mr John Cocker, a Canadian physician.

Mr Tidy said he and Mr Cocker had lodged a bid for Punch with Mr Graham Wilson, managing director of United Newspapers, which owns the title.

Punch folded after losses of up to £1m annually, after 150 years of political, commercial and editorial volatility.

Ford to cut car prices

Ford, the leader of the UK new car market, is expected to announce shortly price cuts for selected cars across its range of around £200-£1,000 in order to dispose of outstanding stocks of 1992 model year cars.

The package of price cuts and other financial incentives, which could be presented tomorrow, are the latest sign of distress marketing by car makers in the UK.

Unions welcome theatre move

Three entertainment unions have given a positive first response to a proposal by the Society of West End Theatres (Swet), which covers much of London's traditional theatreland, for new flexibilities in contracts that would allow Sunday performances in return for some increase in minimum rates of pay.

Bectu, the technicians' union, Equity, the actors' union and the Musicians' Union are discussing the plan after meetings with Swet – which sets and negotiates pay and conditions for them – where they said "they wished to be helpful." No actual financial offer has been discussed.

Rentals just 7% of stock

The rented property sector is unlikely to become as significant in the UK as it is in Germany, France, or Scandinavia, according to Housing Finance, the economics journal of the Council of Mortgage Lenders (CML).

The council says private rented accommodation makes up only 7.4 per cent of the UK housing stock, compared to 45 per cent in Germany, 33 per cent in the US and 18 per cent in France.

Tesco to build £30m depot

Tesco, the supermarket chain, plans to build its largest distribution depot in Britain on a new site being developed by Gwent Europark, a consortium of developers, beside the M4 motorway at Newport, South Wales.

Some vehicles are a pain

A study of high-mileage drivers of the four most popular fleet cars in the UK showed that more than half were suffering lower back pain, according to the Vehicle Ergonomics Group at Loughborough University.

The unit, which has evaluated 100 different cars since 1980, found that one popular medium-sized car caused almost twice as much lower-back pain as two of its rivals.

BRITISH ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE

Chemists set to use virtual reality for designing drugs

By Clive Cookson, Science Editor

CHEMISTS designing drugs will soon be able to use virtual reality technology to work from inside three-dimensional images of molecules.

Drug design is likely to be one of the most important industrial applications of virtual reality and the pharmaceutical industry is expected to buy tens of millions of pounds worth of systems, once developments are complete.

A VR helmet will give the illusion of walking through the screen of a graphics computer and being surrounded by molecular images.

It will be possible to pick up images of atoms and rearrange them in new chemical patterns, by moving the head and manipulating a hand-held device known as a 3D mouse.

A prototype system – the result of a joint project by York University, the drug company Glaxo, computer giant IBM and specialist VR developer Division – was unveiled at yesterday's British Association meeting in Southampton.

The hardware for the project was made by Division, based near Bristol, which is working with IBM to add virtual reality to the US company's RS/6000 workstation. The VR development system costs about £50,000, said Mr Pierre DuPont of Division, but it is likely to become cheaper in the future.

Dr Peter Murray-Rust of Glaxo said scientists might be able to "experience" biological molecules such as proteins instead of having to "learn" them from books.

Warfare cited in spread of Aids

By Clive Cookson

MILITARY unrest is playing an important role in the spread of Aids through Africa, two experts on the disease told the British Association meeting.

Sir Donald Acheson, of the London School of Hygiene and Tropical Medicine, said war, "particularly the slow-burning anarchic disturbances", was an important factor in Aids, "as in all sexually transmitted diseases."

Dr Andrew Cliff of Cambridge University used detailed computer analysis of Aids in Uganda to show that "military-associated factors have been instrumental in the development of the geographical pattern of clinical Aids".

He suggested soldiers of the Ugandan National Liberation Army, moving around the country during the disturbed period after the fall in Idi Amin in 1979, played a more important part in spreading the disease than the two groups usually blamed: migrant workers and truck drivers.

Dr Cliff said Aids could cost Uganda 12 to 13 per cent of its GDP between 1995 and 2000, more than cancelling out the expected economic expansion in Uganda during the 1990s.

Profits at BNFL rise £5m with new exports

By Neil Buckley

A 50 per cent rise in export sales helped British Nuclear Fuels, the state-owned company which supplies and reprocesses fuel for the nuclear power industry, increase its annual pre-tax profit by £5m to £161m.

Turnover increased by £40m to £1,028m, although the rise in export sales to £268m was partly offset by what BNFL said was a temporary reduction in UK sales.

The company increased its dividend to the government, its sole shareholder, by £2m to £52m.

Mr Neville Chamberlain, chief executive, said increased exports were the key to future growth for BNFL. South Korea, which has an expanding nuclear programme, was emerging as a prospective new market, and the company had opened an office in Seoul.

He added that BNFL could also have a valuable role to play in Russia, in improving nuclear safety and dismantling nuclear weapons.

Fewer Names leave Lloyd's than expected

By Robert Peston

NAMES are leaving Lloyd's of London at a far slower rate than expected, according to senior sources within the insurance market.

About 1,600 names, the individuals who provide capital to underwrite insurance risks, are expected to leave at the end of this year, compared with almost 4,000 who resigned in 1991. That would leave the market with just over 20,000 names next year.

Members of Lloyd's governing council are becoming increasingly optimistic about the market's prospects, as they await the outcome of a poll of Names regarded as a vote of confidence in the council.

The last date for voting is noon on Friday and the result should be known that afternoon. Names are voting on several resolutions, including a proposal from a dissident group to rescind the special levy imposed in June to top up Lloyd's central fund, whose purpose is to ensure that the insurance liabilities of bankrupt names are met. It would be an embarrassment to the council if Names voted to rescind the levy. However, senior Lloyd's sources said that such a vote would have a symbolic effect only – since it is impossible for the £500m raised with the levy to be returned.

Meanwhile, it also emerged that the exodus of names will lead to a modest reduction in the market's underwriting capacity from £10bn to £9bn.

Lloyd's, however, has taken some special measures to boost the amount of business that an individual can underwrite for a given stock of capital to offset the affect of the names' resignations. The effect of these measures could be to maintain the market's underwriting capacity at about £10bn.

Separately the council believes that the market's productivity is improving. Its ratio of overheads to income appears to have risen, because of costs associated with redundancies. However, it is convinced that underlying running costs are falling.

COMPANY NOTICES

THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate
Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 28th August, 1992 to 30th September, 1992 has been fixed at 3½% per annum. On 30th September, 1992 interest of U.S. $3.208333 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 30th September, 1992 will be determined on 28th September, 1992.

Agent Bank and
Principal Paying Agent
ROYAL BANK OF CANADA
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PERSONAL

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Pupils pass record number of exams

By Andrew Adonis

PUPILS in England and Wales entered and passed a record number of GCSEs – the General Certificates of Secondary Education – although the number of entries in maths was sharply down, according to provisional results released yesterday.

The results show a subject entry of 5.1m, 1.3 per cent up on last year, with a 2.3 per cent increase in the proportion of exam passes graded A to C.

More than half of all entries were awarded one of the top three grades, generally regarded as the pass standard. One in eight entries was awarded a grade A.

The number of maths entries was down by 2.6 per cent. The Joint Council for the GCSE said the decline in maths might have been caused by a shift to non-national courses.

There were increases in the percentages gaining grades A to C in all three national curriculum subjects. In English the percentage rose from 54 per cent last year to 55 per cent, in maths from 43 to 45 per cent, and in science from 37 to 44 per cent.

Business studies was the subject recording the largest one-year increase in GCSE entries, up 17 per cent. Last week's figures for A-level entries also showed it to be growing rapidly in popularity among 18-year-olds.

Mr Eric Forth, schools minister, dismissed suggestions that the GCSE was getting easier. "We can now look forward to seeing more students than ever continuing in education beyond the age of 16," he said.

Mr David Hart, general secretary of the National Association of Head Teachers, said the improved performance made the government's determination to limit the coursework component of the GCSE "totally inexplicable."

Timeshare deals beset by tricks of the trade

Michael Skapinker looks at the European industry and the effects of the new UK code

THE governments recently-unveiled plans to introduce new legislation on timeshare properties, which gives purchasers a cooling-off period of 14 days to cancel their contracts, will be of little comfort to the man who fell for the renumbering trick.

The renumbering trick works like this: the buyer purchases time in a top-floor Tenerife studio flat with a sea view and, in this case pays £3,300.

A year later he arrives for his holiday and discovers that the flats have been re-numbered. He now has a basement studio. He is told be can have a top-floor flat, although a new building has regrettably appeared between his development and the sea, depriving him of his sea view. All he has to do to get the flat he originally wanted is to pay an additional £ 1,300. He pays up.

"The Brits," says Miss Diana Hanks, consumer services manager of the Timeshare Council, "have infinite trust."

The Timeshare Council, which represents owners' groups and the legitimate industry, is severely critical of the Timeshare Act. They say giving purchasers 14 days to pull out of timeshare agreements deals with only one of the abuses perpetrated by the less reputable members of the timeshare industry: high-pressure selling.

The act does not protect those who buy timeshares in properties that are never built. Nor does it help those who sign contracts on the selling company's promise, subsequently unfulfilled, that it will sell an existing timeshare.

In addition, the cooling-off period only applies if the contract is concluded in the UK. The Timeshare Council estimates that 75 per cent of timeshare contracts are concluded while the buyers are abroad.

The act has its defenders. Mr Derek Prentice, assistant director of the Consumers' Association, says that it has the merit of confining itself to provisions which can be enforced. "It is a pretty effective way of dealing with the difficult problem of selling pressure," he says.

Abuses which take place outside the UK can only be dealt with by a planned European Community directive, but not all EC members regard the directive as urgent.

Mr Ron Haylock, managing director of RCI Europe, which arranges timeshare exchanges, says he does not expect a directive from the EC before 1994 and governments would then have an additional two years to implement it.

However, the delay in devising an effective system of consumer protection has not retarded the growth of the European Timeshare industry.

Mr Haylock estimates that the number of people buying timeshares in Europe grew by 28 per cent last year to 125,000. This year's figure is expected to be 138,000. In 1987, it was 46,000.

Germany, Austria, Switzerland, Italy and France have seen strong growth in the timeshare industry. However, the most spectacular performer of all, he says, is Spain. Although the country is a favoured location for timeshare apartments Spaniards have only recently begun to become buyers.

The UK has the largest number of timeshare buyers but, in contrast to the rest of Europe, the British market has begun to decline. Mr Haylock estimates that there were 49,000 UK buyers last year, only 1,000 more than in 1990. In the first eight months of this year the number of UK buyers fell by 8 per cent. Mr Haylock believes this is the result of the recession.

Miss Hanks, however, argues that legislation is still needed to deal with sharp practices. The Timeshare Council would like tighter control of purchasers' money when timeshares have been purchased in property that is still being built. A common ploy is for rogue vendors to sell timeshares in flats that have not been built, and then offer buyers holidays in alternative accommodation.

She says it should be compulsory for timeshare companies to offer potential buyers full prospectuses. When villas and apartments have not yet been built, buyers' money should be paid to trustees, who should then release it in phases as construction work is completed.

Legislation, she says, should also deal with the problem of buyers who discover, after paying cash, that they have also acquired a pre-existing mortgage over the property.

Vendors should have to specify that the timeshare they are selling has no encumbrances. Selling timeshares which turn out to include additional financial obligations of this sort, should, she says, be "a criminal offence with massive fines and imprisonment".

BRITISH ENTREPRENEURS

No such thing as plain sailing

Louise Kehoe concludes a series by observing the differences between US and UK risk-takers

To British high-technology entrepreneurs, the grass seems much greener on the other side of the Atlantic. American start-up companies, they believe, enjoy big advantages over their UK counterparts.

Yet from a US perspective, the struggle to build a new business is fraught with difficulties that Europeans seldom face. While there are more high-technology start-ups in the US, there are also a greater number that fail.

Perhaps because failed ventures are more common, they are more readily accepted in the US. Fear of failure is cited again and again by British entrepreneurs as one of the greatest barriers to the formation of new UK ventures.

"You have got to be able to take risks, knowing that some of them won't pay off and that you will learn from things that go wrong," says Michael Skok, founder of European Software Publishing, based in Maidenhead, Berkshire.

Unlike the UK, stigma is seldom attached to the failure of a new venture in the US and the people involved will, in many cases, return to the same investors with a new business plan.

Still, on both sides of the Atlantic, the entrepreneur with a good track record stands a better chance of raising money, says Bob Jones, a data communications specialist who recently raised £2.1m in the UK and US for his latest venture, Sonix Communications, based in Cirencester, Gloucestershire.

Jones, who previously founded two other companies, followed the American pattern, seeking out venture capitalists with knowledge of the the data communications market. This led him to Schroder Ventures in London and to Greylock Management in the US, which has made its first UK investment in Sonix.

For Sonix, having the backing of venture groups with a strong reputation for IT funding provides credibility and a source of market expertise. This contrasts with the traditional British view that financiers are there simply to provide money. Raising money "is tough on both sides of the water," explains Jones.

Perhaps the greatest myth in the UK is that US start-ups have it easy when it comes to raising venture capital. Competition for venture funds in the US has become more intense over the past few years as funding has declined.

While UK venture capitalists say that they may see a dozen or so new business plans per month, their US counterparts are barraged with almost as many per week. It appears that the smaller number of British enterprises seeking venture capital may have a better chance of raising some money, although the amounts raised are significantly lower than in the US.

In 1991, US venture capitalists invested $1.1bn (£550m) in 465 computer and electronics companies, according to a survey by Technologic Partners of New York. In the UK, £101m was invested in 194 such companies, according to data from the British Venture Capital Association (BVCA).

Overall patterns of British venture capital investing suggest that "start-up and early-stage" funding is more readily available in the UK than in the US. The BVCA says that three quarters of the £445m invested last year across all industry sectors (excluding management buyouts) went to companies that had not previously received any venture capital.

By contrast, in the US more than 85 per cent of venture capital investments in the high-technology sector were second or subsequent rounds of financing. Thus entrepreneurs on both sides of the Atlantic complain about a dearth of venture capital.

For the US entrepreneur the biggest challenge is to get a foot in the door, raising seed money for a new venture, while in the UK the common complaint is that companies are "under-funded" which limits their growth potential.

Antipathy towards the "money men" seems to be a characteristic of entrepreneurs wherever they do business. British high-technology entrepreneurs charge that venture capitalists do not understand the capital requirements of their business and point to the large numbers of technology investment specialists in the US.

In the US, however, one is more likely to hear the wrenching stories of entrepreneurs who have been ousted from the companies they have founded and replaced by venture capitalists. The "hands-on" American venture capitalist is far less forgiving of an entrepreneur's lack of management skills. And while the British complain about the "onerous terms" imposed by venture capital investors, such as the demand for preference shares with hefty dividend payments, it is in the US that venture capitalists have been dubbed "vulture capitalist" for their alleged greed.

Apart from the difficulties of raising money, British entrepreneurs generally agree that the regulatory environment in the UK is favourable. In contrast, their US counterparts complain bitterly about becoming entangled in the bureaucratic red tape of employment and environmental regulations.

While Peter Rigby, founder of Computer Specialist Holdings in Birmingham, is proud to share the story of a former telephonist who has become his top sales manager, Ray Fortune, president of Ultra Network Technologies, in California, expresses exasperation over the hoops that he has had to jump through to reclassify the job of a valued secretary and provide her with access to share options.

One of the biggest challenges facing ambitious British high-technology manufacturers is cracking the US market. While most are convinced that it is important to establish a beachhead in the US, they lack the resources needed for a large-scale assault.

Viewed from "over there", however, the problem is equally daunting. Unlike the British start-up company, which can begin life by addressing the "home" market, a fledgling US company rarely has the option of establishing its reputation on a regional basis.

Neither do US companies find the transatlantic crossing painless. Many are naïve in their approach to the European market, taking at face-value the prospects of a "single market" and failing to recognise at first that within Europe each national market has its own unique characteristics.

British entrepreneurs are at least better-placed to assess the challenge. One of the most striking differences between start-ups in the UK and those in the US is that most business founders in the UK are British.

Not so in the US, and particularly in the Silicon Valley high-technology enclave, where ambitious individuals from Europe and Asia figure high in the ranks of business builders.

Also noticeable in the UK is the relative lack of experience of the British high-technology entrepreneur. While some of America's most famous entrepreneurs are startlingly young, the majority have a long career in established companies behind them.

Another glaring difference is that American entrepreneurs rapidly learn the value of "blowing their own trumpets". Some of the largest US venture capital groups maintain close links with public relations agencies that promote start-up companies. Call it British reserve, or a lack of marketing expertise; whatever the cause, the result is that few small British high-technology ventures get the recognition that they deserve.

While entrepreneurs complain that they are not valued in British society, they fail to recognise that the acclaim afforded to their American counterparts is not automatic. It costs money.

In both countries, the building of high-technology winners is a gruelling and expensive business with uncertain returns. The US high-technology industry has a more firmly-entrenched process of business development, but the route that its entrepreneurs must follow is still an uphill struggle.

For the British entrepreneur who must cut out his own path, it may be some comfort to know that nobody else has found a short cut to success.

Previous articles in the series appeared on 23 and 30 July, 7, 13 and 20 August.

Transgenic pigs head for market

By Alison Boulton

Transgenic pigs, bred for use in organ transplants, could prove profitable for the daring investor. British expertise and US finance have brought the futuristic scheme to the point of patent application.

According to David White, a lecturer in transplantation immunology at Cambridge University, pigs hold the key to future organ supply. While transplantation skills race ahead, human supply lags behind, depriving thousands of patients each year of a lifesaving operation.

Eric Rose, of Columbia Medical School in New York, has estimated that in the US a potential 20,000 heart transplant could be performed annually, yet fewer than 2,000 transplants are carried out each year. Discrepancies in supply and demand also exist in kidney, liver and pancreas transplantation.

Anatomically and physiologically, pigs have many similarities to humans. They grow to a size comparable with even the biggest man. And since they frequently give birth to 12 or 13 piglets at a time, they can easily satisfy current demand.

However, the big drawback between discordant species is immunological. The host rejects the organ graft within 10-15 minutes of transplantation. Every human has antibodies in the blood against every other distantly-related species, including the pig. In addition to natural antibodies, a further body defence system is activated, known as complement. "Complement acts as the bomb of the immune system," says White.

Working with transplant pioneer Sir Roy Calne at Cambridge, White has used genetic manipulation to slow down the human complement response to the transplant. White has inserted into mouse cells a human gene – known as Decay Accelerating Factor (Daf) – which regulates complement activity. This protects the mouse from being destroyed by human complement.

By transferring this technology to a clinically useful animal, White hopes to produce a transgenic pig. Its organs could be more successfully transplanted since rejection is less likely to occur. Once the graft is in place, animal models have demonstrated that it stands an increased chance of success.

"If you consider that in markets such as India where kidneys are bought and sold (the recipient pays more than $20,000 [£10,000] of which the middleman gets about $10,000 and the donor between $5,000-$7,000), this puts pigs into a very high-value bracket indeed," says White.

Some $1.5m has already been spent on White's research, with finance raised by the American concern Warburg Pincus. A patent is now pending for the transgenic technique developed at Cambridge. "We're just beginning on the pig, but we have high hopes of success," White said.

In the US, transgenic pigs are already a reality. Since 1987, a Princeton, New Jersey company called DNX has been studying the potential of transgenic pigs as a source of universally compatible organs – specifically kidneys and hearts.

Some 30 transgenic pigs have so far been produced by DNX, according to Paul Schmitt, president and chief executive officer. The pigs are able to produce human haemoglobin, for use in the race for universally compatible, easily-stored blood substitutes.

However, John Logan, the company's vice president of research, believes that within 18 months the same patented technology will produce pigs whose organs will be transplanted into non-human primates. "We don't want to mislead people at this stage," Logan said. "The days of using pig organs in human transplantation operations are way off – but I believe they will come."

DNX has currently raised $49m through a private placement and an initial public stock offering. Schmitt believes current market opportunities includes blood substitutes, drug testing and the donor organ market. "Transgenic animal technology which is both technically innovative and cost-effective *is the way forward*," he said.

PEOPLE

Smooth passage of command at Thomas Cook

"If we do it right it will be like one of the better Olympic baton passes" is how the new chief executive of Thomas Cook, Christopher Rodrigues, 42, describes the succession at the top of the travel and financial services group that is being sold to Westdeutsche Landesbank and German package tour operator LTU. His predecessor Peter Middleton, tipped as the next chief executive of Lloyd's, stepped down yesterday, but refused to divulge his next destination.

A former diplomat who has headed Thomas Cook for five years, Middleton hand-picked fellow Englishman and marketing expert Rodrigues from American Express back in 1988 - initially to serve as Cook's chief operating officer, more recently as managing director.

Rodrigues, then poised to take up a quite different job, had agreed at the suggestion of a headhunter to have lunch with Middleton - but purely "as a competitor" since he thought the description of the Cook vacancy looked to be "boloney". Middleton, whom he calls a " a charismatic recruiter", simply informed his lunch guest he was joining Cooks and so had better start writing his own job description.

They have been a partnership of "human change agents" ever since, according to Rodrigues - turning round an organisation that at first seemed to be staffed with "message takers, instruction issuers and administrators." Cooks had suffered years of neglect, including under Midland's stewardship since 1972. Middleton adds:" what we had to do - and Christopher was central to that - was rehabilitate the brand and put it back where it was in its colourful past"

Well on the way towards that goal, Rodrigues stresses that the new German ownership (effective October) will not cramp his style. On the contrary, "they have very stretching aspirations for us."

A Cambridge rowing blue, and Harvard MBA, the new Cook boss spent four years at McKinsey, whence one of his clients Lou Gerstner, then of American Express Travel Related Services, hired him, explaining "it will be cheaper for us and more profitable for you." He spent nine years at American Express, progressing to managing director of travel and travel management services for the UK and USSR.

Financial moves

■ **Tom Clark**, formerly deputy md of MERCANTILE GROUP, has been promoted to chief executive; he replaces **Stan Buckley** who has been *appointed regional director* for the Thames Valley.

■ **Roy Simblet**, formerly UK operations director of *Mercantile Credit*, has been appointed group chief executive of FORTHRIGHT FINANCE GROUP.

■ **Gary Pithers** has been appointed deputy md of the Eurodollar division of PREBON YAMANE (UK).

■ **John Gant** has been *promoted to Grade 3 and* becomes director of personnel for the INLAND REVENUE.

■ **Eleanor Smith**, formerly finance director of Williams de Broe, has been appointed finance director of LATINVEST SECURITIES.

■ **Paul Cattermull**, formerly md of Binder Hamlyn Investment Management, and **William Weston**, formerly chief investment officer of Crown Agents Asset Management, have been appointed directors of MATHESON INVESTMENT MANAGEMENT.

■ **Noel Dearing**, deputy regional director for the south east region of NATWEST, has been appointed md of Centre-File, the bank's computer services subsidiary. **Brian Chorlton**, director of operations, is to retire, as is **Les Hill**. Hill's place as deputy md is taken by **David Colwill**, currently director of facilities management division. **Ike Richards** is promoted to senior *director* and **Peter Shephard** joins from Rank Xerox as a director.

■ **Ian Cotterill** has been appointed a director of SAMUEL MONTAGU & Co.

■ **Kenneth Quinn** has been appointed finance director of WISE SPEKE.

■ Evidence of the growing significance of the "Keele Connection"in the CIVIL SERVICE is provided by yesterday's appointment as civil service commissioner of Eric Sorensen, chief executive of the London Docklands Development Corporation since March 1991. Sorensen is a graduate of Keele University – as are several recently promoted top mandarins, including Richard Mottram, permanent secretary at the Office of Public Service and Science, and John Vereker, head of schools at the department for education. As a commissioner, he will share responsibility for the selection of the high-fliers who will become the next generation of Whitehall mandarins.

At 49, Sorensen has spent most of his career in the civil service. He was appointed by Michael Heseltine to lead his Merseyside Task Force and later spent nearly a year at the Cabinet Office pulling together the Government's inner city programmes. He has also been deputy secretary at the Housing Corporation and director of personnel management and training at the environment department.

Maintaining the civil service Oxbridge tradition is Geoffrey Maddrell, also made a commissioner yesterday. A Cambridge graduate, 56-year-old Maddrell is currently chief executive of Proshare, the organisation set up to promote share ownership. A member of the CBI Education and Training Affairs Committee, he is a non-executive director of Transport Development Group and a governor of the University of Manchester Institute of Science and Technology. He held senior positions with Tootal and Bowater and was a past chairman of the Manchester Training and Enterprise Council.

Maddrell replaces Gerald Dennis who retires as commissioner at the end of August. Sorensen takes over the seat vacated by Julian Moore who is returns to the Office of Public Service and Science.

TELECOM FOUNDATION

JOINT VENTURE FOR DATA COMMUNICATIONS NETWORK

Telecom Foundation, Islamabad plans to set up a Data Communication network in Pakistan. The network would be pocket switched and based on VSAT Satellite Technology. It is planned to start the network in the major cities of Pakistan. VSAT systems would be provided at remote and inaccessible locations, 200 + 500 such locations planned.

Offers are invited from parties interested in collaborating with Telecom Foundation in setting up, operation on the Data Communication Network, supply of equipment and suppliers credit etc.

For further information please write or contact by 10th September, 1992.
General Manager (H/Qrs)
Telecom Foundation
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LEGAL NOTICES

TO: ALL POLICYHOLDERS, CREDITORS OR OTHER PERSONS OR ENTITIES INTERESTED IN MUTUAL BENEFIT LIFE INSURANCE COMPANY OR ITS ASSETS

PLEASE TAKE NOTICE that the Superior Court of New Jersey entered an Order to Show Cause in this case, presented by Samuel F. Fortunato, New Jersey Commissioner of Insurance and Rehabilitator (the "Rehabilitator") of Mutual Benefit Life Insurance Company in Rehabilitation ("MBL") dated August 7, 1992 which, among other things, requires that all persons and entities interested in MBL or its assets show cause before the Honorable Paul G. Levy, J.S.C. P.J.Ch., Superior Court of New Jersey, Chancery Division - Mercer County, 210 South Broad Street, 5th Floor, Trenton, New Jersey 08625 on January 28, 1993 at 10 o'clock in the forenoon or as soon thereafter as counsel can be heard (the "Hearing"), why an Order should not be entered approving the Plan of Rehabilitation (the "Plan"), authorising the execution of the Rehabilitation Agreement, the Liquidating Trust Agreement, the Stock Trust Agreement, the Participation Agreement, and the Reinsurance Agreement (collectively the "Plan and Agreements") and authorising such other and further relief which this Court may deem necessary and proper.

1. Any person or entity wishing to appear and be heard or to present testimony or other evidence at the hearing on the return date of this Order to Show Cause shall provide written notice of such intent and a summary of the matters or testimony to be presented, as well as copies of any documents to be presented to the Rehabilitator, through his counsel, Cole, Schotz, Bernstein, Meisel & Forman, P.C. 25 Main Street, Hackensack, New Jersey 076-02-0800, Attn: Michael S. Meisel, Esq. for their receipt prior to 4.00pm on November 16, 1992. Persons or entities not wishing to appear and be heard at the Hearing may submit comments, suggestions, objections or other material by delivering or mailing same to the foregoing counsel for the Rehabilitator by the deadlines set forth above.

2. Any person or entity seeking to respond to this Order to Show Cause by filing answering certifications or affidavits and briefs with this Court shall do so no later than November 16, 1992. Such answering papers shall be filed directly with the Honourable Paul G. Levy, J.S.C., P.J. Ch., Superior Court - Mercer County, 210 South Broad Street, 5th Floor, CN 977, Trenton, New Jersey 08625, accompanied by a Filing fee to the Clerk of the Superior Court in the amount of $80. Any person may file a verified application to the Court pursuant on R 1:13-2 to seek a waiver of the court filing fee by reason of poverty. Answering papers on behalf of any corporation should be filed by a New Jersey attorney, but motions for appearance pro hac vice may be entertained under R1:21-2.

3. All answering papers filed pursuant on paragraph (2) above shall be served simultaneously upon counsel for the Rehabilitator be delivering one set of papers to Cole, Schotz, Bernstein, Meisel & Forman, P.C., 25 Main Street, Hackensack, New Jersey, 07602-0800, Attn: Michael S. Meisel, Esq. Any person or entity seeking access to responses made by others shall call Frances Pisano, Legal Assistant, at (201) 489-3000, who will make copies available at the offices of Cole, Schotz, at the above address.

4. The Rehabilitator shall reply to the answering papers received by him no later than December 31, 1992 and shall serve that reply upon the answering party and all counsel or persons as set forth on the service list being maintained by the Rehabilitator at the request of this Court.

5. All persons or entities interested in the estate, assets or property of MBL, of any kind or nature, however or wherever held are hereby ordered to appear at the Hearing, to show cause why the Plan and Agreements should not be approved. All persons failing to appear or to file timely objections shall be deemed to have forever waived any and all objections.

6. The Plan and Agreements may be amended or modified at any time prior to the Hearing. The Rehabilitator will provide notice of any material, adverse amendment or modification by first class mail to all state insurance regulatory authorities or equivalents, the various state life and health guaranty associations in such states where MBL is conducting or has conducted business whether directly or indirectly, all persons or entities on the service list maintained by the Rehabilitator at the request of this Court and all persons or entities that have served or filed responses or requests for additional notice (the "Service List"). The Rehabilitator will advise the Court and all persons or entities entering appearances of any non-adverse non-material modifications or amendments to the Plan and Agreements at the Hearing.

7. The Hearing may be adjourned from time to time with the approval of this Court with notice only to those persons or entities as set forth on the Service List.

8. Copies of the Plan and Agreements shall be available for inspection at the office of Mutual Benefit Life, 520 Broad Street, Newark, New Jersey between the hours of 9:00am - 12:00 noon, and 1:00pm - 5:00pm, Mondays through Fridays upon prior telephone request at (201) 481-8355. A copy of the Plan and Agreements, Order to Show Cause and supporting certifications will be mailed to any party who makes a written request by first class mail to Mutual Benefit Life at the above address, Attn: Public Affairs Department, or by facsimile transmission at (201) 268-4308. Any written request shall include the name of the requesting person or entity, his or her interest in MBL and an address to which such documents may be mailed.

9. To avoid undue disruption to the Rehabilitator or other interested parties, no discovery shall be conducted of the Rehabilitator with respect to the Plan and Agreements, except upon prior order of this Court entered after a noticed hearing and upon a showing of good cause.

10. The following procedure for the submission of proposals to enhance the Rehabilitation Agreement and acquire the MBLLAC stock is established.

A. **Qualification of Bidders**

Any person, entity or group interested in submitting a proposal to enhance the Rehabilitation Agreement ("Interested Parties") and acquire the MBLLAC stock may do so by following the procedures set further herein and as are set forth more fully in paragraphs 61-65 of the certification of Samuel F. Fortunato in support of the Rehabilitation of The Mutual Benefit Life Insurance Company which is incorporated by reference herein. Each Interested Party must submit "Qualification Information" to the Rehabilitator including : 1) detailed information regarding the identity of such Interested Party and its capital structure, principals, shareholders or investors; 2) detailed information demonstrating that such Interested Party has net assets and resources sufficient to provide the capital and guarantees required to consummate a proposal to rehabilitate MBL ("Bid"); 3) written expression of interest in submitting a Bid that enhances the Rehabilitation Agreement and a duly executed copy of a confidentiality agreement as previously approved by this Court (the "Confidentiality Agreement"). All Qualification Information must be received by the Rehabilitator, c/o Victor H. Palmieri, Deputy Rehabilitator, Mutual Benefit Life Insurance Company in Rehabilitation, 520 Broad Street, 5th Floor, Newark, New Jersey 07102-3184, with a copy to Lawrence A. Larose, Esq, Cadwalader, Wickersham & Taft, 100 Maiden Lane, New York, New York 10038. The Rehabilitator reserves the right to accept or reject any Qualification Information submitted by any Interested Party and to request additional information from any Interested Party at any time.

B. **Bid Package**

Based on the Qualification Information, the Rehabilitator, in his sole and absolute discretion, shall determine, which Interested Parties are qualified to present Bits ("Qualified Bidders"). All Qualified Bidders shall be notified in writing as promptly as practicable after receipt of the Qualification Information and, subject to the Confidentiality Agreement, shall be forwarded certain financial, technical and business information regarding Mutual Benefit, MBLLAC and the Plan (the "Bid Package").

C. **Submission of Bids**

All Qualified Bidders must submit Bids to the Rehabilitator at the addresses set forth in paragraph 10(A) above for receipt no later than 4:00pm on November 30, 1992 or such later date as the Rehabilitator deems appropriate. Each Bid should be based on the information contained in the Bid Package and structured to be reasonably comparable in form to the transaction contemplated by the Rehabilitation Agreement. The Rehabilitator reserves the right to reject Bids that are not so comparable. In addition, each Bid must provide information on the structure and terms of the proposal in sufficient detail for the Rehabilitator to determine the value of such Bid to policyholders.

The Rehabilitator will review the Bids and, in his sole discretion, may reject any and all Bids. The Rehabilitator's determination to accept or reject any Bid will be made, and parties who submitted Bids will be notified in writing, on or prior to December 30, 1992 or such later date as the Rehabilitator deems appropriate. The Rehabilitator is under no obligation to accept any Bid. If the Rehabilitator determines to accept any Bid, said Bid will be filed with this Court and notice of same will be provided to those persons or entities as set forth on the Service List.

11. All prior injunctions, moratoria and other orders of this Court, except to the extent expressly modified herein, are reaffirmed and remain in full force and effect. All powers and authority granted to the Rehabilitator herein are in addition to and not in limitation of the powers of the Rehabilitator under the New Jersey State Insurance Code.

Samuel F. Fortunato
NEW JERSEY COMMISSIONER OF
INSURANCE AND REHABILITATOR OF
MUTUAL BENEFIT LIFE INSURANCE
COMPANY IN REHABILITATION

URBAN DEVELOPMENT

The FT proposes to publish this survey on
September 18 1992.
The FT reaches more businessmen with property responsibility in the UK than any other daily newspaper and more senior European decision-makers on business premises/sites reading English-language newspapers.*
For a full editorial synopsis and details of available advertisement positions, please contact
Brian Heron
Tel: 061-834 9381
Fax: 061-832 9248
Alexandra Buildings
Queen Street,
Manchester M2 5HT.
Data sources: BMRC Business Survey 1990, European Business Readership Survey 1991*

FT SURVEYS

DISTRIBUTION SERVICES

The FT proposes to publish this survey on
September 3 1992.
It will be of special interest to over 20,000 businessmen in the UK involved in decision making about freight services and over 8,000 senior European business executives with responsibility for transport, distribution and international sales.*
For a full editorial synopsis and advertising rates, please contact:
Bill Castle
Tel: 071-873 3760
Fax: 071-873 3062
Data source: BMRC 1990, EBRS 1991*

FT SURVEYS

Impoverished Russians are having a first taste of promotional gimmicks, and are being invited to buy designer clothes

A change of propaganda

"An executive without a car is like a rabbit without ears." If that Russian slogan does not grab you, there is a long-running advertisement on Moscow buses for a brand of western toothpaste which is not to be found in the shops.

A year after the collapse of communism, the Russian advertising market is still in its infancy. More than half a dozen big western agencies have offices in Moscow, but out of the 200 Russian agencies there, only a handful offer a full range of marketing services. Foreign companies are promoting goods which are mostly unavailable, and domestic companies producing ads which mean little or nothing.

Russian advertisements are still addressed more to other businesses than the consumer, reflecting the fact that "biznez" is still the preserve of state-owned enterprises and a few slick entrepreneurs. A lack of sophisticated marketing advice also means that companies often use television where specialist publications would be more appropriate.

As a result, grumpy TV viewers are treated to adverts offering shares in banks, trading houses and new-style commodity exchanges, or to glitzy pictures accompanied by acronyms and symbols which are never explained.

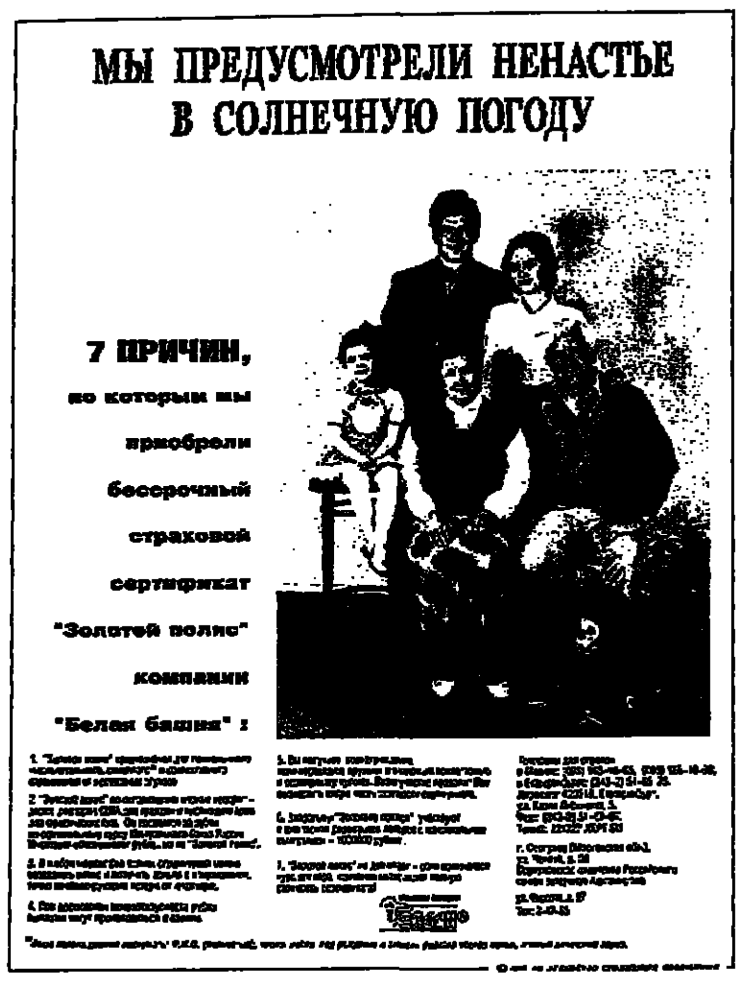
A notorious example is the collie which advertises Alisa, a Russian exchange which trades in building materials. "This dog begins to inspire hatred, hatred for people who are really rich from those who feel this dog has nothing to do with them," said Sergei Abramov, a Russian marketing expert.

If any explanation is provided, it usually makes clear the product in question (such as holidays abroad) is for a resented minority of Russians with lots of money, or foreigners.

Thanks to the appearance of western consumer goods advertised by western companies, the market is finally moving towards ads aimed at ordinary people.

A billboard in central Moscow displays a Mars bar, a product now available in kiosks around the capital; television ads show western-looking women using Vidal Sassoon shampoo as a Russian male voice extols the virtues of "Wosh end Go".

The new breed of ads is exemplified by insurance company White Tower's use of a picture of a Russian family to illustrate "seven good reasons" for buying an insurance policy. Under the banner headline: "We foresaw misfortune in sunny weather", the ad – prepared by InterCity Communications, one of the biggest Moscow agencies – offers a service which few Russians needed to bother with in the past.



A growing concern: A Moscow agency's advert for insurance.

Research by the US-based BBDO agency, which updates a Russian market sample every month, shows that brand recognition is very high, even though there is still very little precise information about who has money to spend.

After years of seeing the Olivetti name on the clock which appears on TV screens just before the evening news, many viewers interviewed for the research said they thought the Italian computer company was a clock-maker.

Another branch of marketing, public relations, has developed along typically corrupt Russian lines. For Russian businessmen it consists mainly of organising rumours against competitors and paying journalists to write flattering articles about themselves or critical articles about rivals.

Inter-City's Karine Iskhanova admits it is common practice for agencies to pay newspapers to write articles about their clients without specifying they are ads. She also says that many clients are still intent on dictating ads, and who should appear in them (including a general manager's scantily-clad girlfriend lying on a pile of money to advertise computers).

At the other extreme, officials are also beginning to look at public relations as a necessary substitute for old-style propaganda. The Defence Ministry, alarmed by falling conscription rates, is now running a TV ad proclaiming that "real men" serve in the army, and showing handsome youths jumping over obstacle courses and handling sophisticated military hardware.

In seeking to introduce western capitalist values, the Russian government has just hired BBDO (as part of a consortium of western advisers in banking, auditing and *public relations) to help excite 160m* citizens about the prospect of receiving vouchers to obtain Rbs10,000 of shares in the century's biggest ever privatisation campaign.

Given the shortage of both home-made consumer goods and marketing expertise, the opportunities for foreign advertising companies and western products are as challenging as the obstacles. There is almost no distribution system, the currency is not yet fully convertible, and the banking system is chaotic.

However, the cheapness of advertising space and time is an important incentive for western manufacturers. By all accounts television (£1,250 for a 30-second spot around evening news) and radio (£75 for 30 seconds) are extremely cheap, while newspapers have tended to price themselves out of the market by raising fees in an attempt to compensate for falling circulation. "We're talking pennies [per thousand of audience]," says one Californian executive.

After being lied to for seven decades, the Russian audience is remarkably gullible to whatever is new and different, providing it is not offensive.

Mike Adams, chief executive of Young & Rubicam/Sovero, a US-Russian joint venture in advertising and public relations, suggests the following values are particularly important in understanding the Russian audience: the individual as part of the community; envy; the moral imperative; suffering; honouring the past.

While western agencies try to persuade Russian clients that they are not only sensitive but affordable, Russian companies are making a pitch for foreign business. "You have to grow up in this market to know it," says Oleg Pisarsky, director-general of Metapress agency. "It is based on acquaintances and trust. The only thing my foreign competitors have is piles of dollars."

Leyla Boulton

Russia embraces the tyranny of fashion

Not many people in the West spend 20 times the average monthly wage on one jacket – no matter how fashionable it may be.

But many shoppers in Russia are mysteriously doing exactly that, *splashing out on clothes* in the newly-opened Escada fashion store in St Petersburg.

Escada's prices are considered high even in the company's home market of Germany, but when translated into roubles at the open market rate they verge on the stratospheric.

A stylish pink jacket is on sale for more than Rbs100,000 (£325). It would take a comparatively well-paid Russian engineer 20 months to earn such a sum.

Nevertheless, Escada has been "very encouraged" by its first Russian store, which opened in the Passazh shopping centre on the Nevskii Prospekt earlier this month. It says sales are running at comparable levels to those of a new store in Germany.

Such a performance shows the strength of Russia's unofficial economy, the latent spending power of a new generation of entrepreneurs (and crooks), and the craving for high-status consumer goods in a land which has been deprived of them for decades.

Irina Nylander, Escada's area manager, says the brand is a status symbol for the emerging business classes who believe in flaunting their wealth. "If you have a diamond ring in Russia you wear it," she says, strolling round the store in striking red hot pants.

Many of the customers are young independent entrepreneurs who walk into the store with plastic bags containing "bricks" of roubles. Nylander estimates that foreigners account for less than 5 per cent of sales.

Escada, Germany's second biggest clothing manufacturer, conducted little formal market research before opening in St Petersburg; its initiative owed more to a chance encounter between a company director and a Russian trade minister.

The company now plans to expand in Russia, in contrast with its retrenchment in western Europe. Its principle designer and co-founder, Margaratha Ley, died in June at the age of 59. Her husband and business manager, Wolfgang Ley, admits the company was left to drift during her extended illness. A dozen years of near 30 per cent annual growth ended, an extensive new distribution centre hit teething troubles and the company fell into loss this year.

Russia may contribute to a turnaround in Escada's fortunes, although it is a difficult place to do business, with unpredictable investment and customs laws and an uncertain economic climate, says Nylander.

She also argues that Russians are impatient capitalists. "People want to make a million in a month. They want a big profit margin on every deal. But we emphasise that to be successful you have to build a trading relationship over a long time," she says.

Escada is a status symbol for Russia's nouveau riche

But in spite of such concerns, she claims Escada has been able to establish a mutually beneficial trading arrangement with Passazh, the retailing concern which owns the centre where its shop is found. She claims it is important to have an effective local partner, who can deal with many of the bureaucratic worries.

Escada pays no fixed rent to Passazh but effectively leases its store by giving it a percentage of its takings. It has also agreed to take on all the staff from the previous shop on the premises – it now employs 50 people in total – and to maintain the fabric of its section of the centre.

The overhead costs are lower than in Germany but they are offset by higher distribution expenses, a customs charge of 6 per cent on imported goods, and a further 2.5 per cent charge for converting rouble sales into Deutschmarks. The net result is that margins between Russia and Germany are similar.

The company has spent much time and effort promoting the Escada brand name and its store-opening programme in Russia by means of press, radio and television advertising. It believes it can quickly – and cheaply – make the Escada brand synonymous with high fashion in the minds of millions of Russians, stealing a march on its competitors. Whether it can sustain its early advantage in such a fast-changing economy remains a moot point, however.

A glamorous TV advertising campaign is currently running ahead of the Moscow store openings. In St Petersburg, local government officials and the press were invited to a lavish party on the eve of the opening which generated a great deal of media coverage.

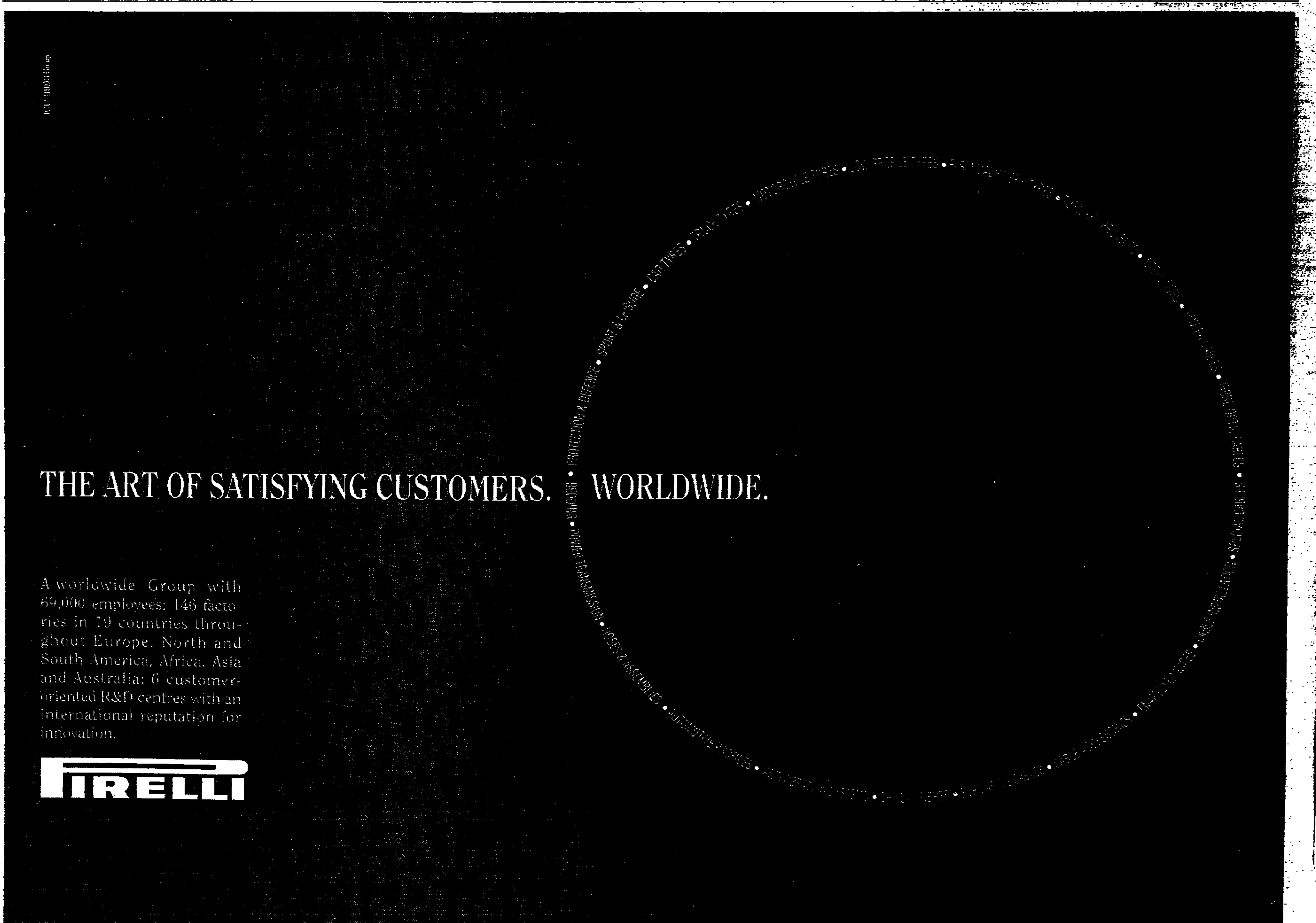
"When Passazh opened its doors at 10 am people were running down the arcade towards our shop. There were so many people I did not know what to do," Nylander says.

Ironically, although the media's headlines focused on the high prices – "Shop and Shock" ran one – Escada's first customer was a Russian journalist who spent Rbs289,000.

But not all are so impressed by what Escada has to offer. "Only a valyutnaya can afford to buy here," said one shopper, bitterly referring to Russia's high-earning hard currency prostitutes.

Such private resentments could easily spill over into public hostility towards the more high-profile expressions of the vast inequalities of wealth that are rapidly developing in Russia. Escada will have to tread a narrow path to ensure it becomes a victor, not a victim, in the volatile world of Russian fashion.

John Thornhill and Daniel Green



Cinema/Nigel Andrews

Four dudes search for a plot

JUICE (15)
Ernest Dickerson

BFI NEW DIRECTORS

THE CUTTING EDGE (PG)
Paul M. Glaser

BODY HEAT (18)
Lawrence Kasdan

HITLER: A FILM FROM GERMANY
Hans-Jürgen Syberberg

TAKING the rap used to be something people did for a crime they had or had not committed. Now it is what filmgoers do (with or without criminal record) when pinned to their seats by black movies whose plot sense is as minimal as their musical variety.

Ernest Dickerson's *Juice* is a Harlem-set rap-scored melodrama about four young blacks who fall out with the law after a robbery with murder. Since it marks the writing-directing debut of Spike Lee's longtime camera-person, the film has gained encomia from those publications that worship at the altar of Political Correctness.

"Energetic, entertaining and engagaging, and without the feeling of difficult truths being forgotten" says *Time Out*. And right-on ideologues will no doubt applaud the film's 90 percent non-white cast, the dialogue rich in local argot ("I'm gonna beat your ass", "You gonna beat my ass?" "Yes, I gonna..." etc.) and the screenplay that weaves and feints through half an hour of tired street comedy before standing stiffly to attention to give us a "plot".

This concerns aspiring disc jockey 'Q' (Omar Epps) and his two friends Steel and Rahim who are appalled when a fourth friend Bishop goes guncrazy during a shop hold-up. Why he does so is unclear, but perhaps an earlier glimpse of Cagney on TV in *White Heat* has wired him up for mayhem.

Either way, the film soon turns into a throwback Warners melodrama, with Bishop gunning for his former friends, and the early sub-Spike Lee street comedy is forgotten in a hail of B-movie clichés. We especially note the tilted angles and harsh-lit close-ups of the police interrogation sequence: these look as if they were kidnapped, feebly protesting, from *Public Enemy* or *The Roaring Twenties*.

With its two-dimensional characters and trite moralising, this film would have been laughed off the screen if presented by white film-makers with white actors in white roles. But we cannot laugh around – or we are not supposed to – with the cinema of Spike Lee and his acolytes. Although some of those film-makers, like Lee himself, are talented social satirists, most like Mr Dickerson are bargain-basement disciples empowered and encouraged only by the mighty karma of P.C.

How mighty that karma is is evident in the 1992 New Directors programme of shorts sponsored by the British Film Institute with Channel 4. This is the fifth year's fruit from the annual scheme whereby six aspiring film-makers receive £30,000 apiece to make calling-card movies.

The quality is so low this year that we need not detain you with an autopsy on each film. But I wonder if the reason for the cinematic poverty is not that ethnic tokenism is being exercised in the choice of directors. Three are white (one male, two female), one is black, one is Asian and one is Dutch-Trinidadian. For good measure, lesbianism, the environment and cultural colonialism are among the Important Themes treated.

This would be fine if the films were any good. But they are so banal that one wonders what the 990-odd submissions apparently rejected by the BFI were like. Were they bad? Were they banal? Or were they just Politically Incorrect? Better luck, and much better selection, in 1993.

It is not a good week – it is not a good summer – and Hollywod fails to come to the rescue. "I wanna see your ass in the air" shouts the trainer to the figure skater in *The Cutting Edge*, much around the time that that part of the filmgoer's anatomy has slid deep into the upholstery in response to this dotty tale of love and ambition on the ice rink.

Tony Gilroy wrote the script, Paul M. Glaser (TV's Starsky) directed, and D.B. Sweeney and Moira Kelly play the ice partners for whom initial antagonism is a prelude to – yes! – passion. The wiser characters realise this early on. "Foreplay!" they chuckle avuncularly as Sweeney slings Kelly life-endangeringly on to the ice or she screams at him down a hotel corridor after a drunken dinner date.

Never mind. We can always turn to more peaceable matters like the reception accorded our hero's career-change – he used to be an ice-hockey player – by his redneck bar-owning father ("Are they gonna make you shave you legs?"). Or for tragicomic relief there is Roy Dotrice as the duo's trainer, struggling with his Russian accent much as Laocoön struggled with his consignment of snakes.

Hokum so wholehearted earns affection if not admiration. It skates over every known emotion in the pop-melodramatic rink, while never pausing to make an original incision on any.

Revival corner this week features Lawrence Kasdan's 1981 directing debut *Body Heat*, launching a Barbican season in honour of actor William Hurt. Adultery and murder; Hurt and Kathleen Turner; and a shameless set of plunderings from the fatal-woman thrillers of yesteryear. *Double Indemnity*, *The Woman In The Window*, *Out Of The Past*: bring on the Venetian blinds, paint the dialogue in wise-cracking monochrome.

But if *Body Heat* is plagiarism posturing as art, it is still more enjoyable than anything director Kasdan has made since. Main reason: a script is served up with a salty crackle by Hurt and Turner, aided by Mickey Rourke's debut cameo as a soft-spoken bomb-maker.

Jostling an 11-year-old American film is a 15-year-old European one. Hans-Jürgen Syberberg's *Hitler: A Film From Germany*, revived at the ICA, is a monstrous 7-hour cabaret from the man who brought us *Ludwig: Requiem For A Virgin King* and *Parsifal* the movie. On soundstages thick with smoke, puppetry, slide projections and other theatrical-pedagogic devices oft called "Brechtian", modern German history is recounted for us as if by a mad schoolteacher with a runaway props budget.

The good news is that Syberberg both absorbs and contextualises the kitsch associations that grew around Hitler in 1970s culture, when in such musicals as *Cabaret* and such films as Visconti's *The Damned* Herr Führer became a superstar. The bad news is – well, actually there is no bad news. Against expectation, Syberberg's seminar is horribly compulsive.

Even at its most hectoring – a toga'd Adolf rearing from a grave marked "RW" (Richard Wagner), Goering or Goebbels puppets cavorting against Leni Riefenstahl back-projections – *Hitler* has a passionate wit about the fatal windings of politics and an absurdist ferocity that puts the hiss back into history.

How disturbing, though, that the summer has brought us so few new films from Europe and so many old ones reminding us of her former glory. The European Film Award nominations, just announced, pour salt on the continent's wounded self-esteem. The awards are nicknamed "Felixes" in reference to Neil Simon's odd couple. They were Felix and Oscar, you recall, of whom Oscar was the flamboyant shambolic one while Felix was the fastidious introvert.

Oh what wisdom from careless sobriquets! While Oscar wassails loudly and untidily each April, Felix dons his dinner jacket each autumn graciously to honour films that few people have heard of and fewer have seen.

Edinburgh International Festival

Douglas H Jeffery

Philip Madras (Roger Allam) with his wife Jessica (Eve Matheson) with the ubiquitous mannequins in the background

The Madras House

VIRGINIA Woolf wrote that "In or about December 1910 human nature changed." She was writing years later in *Mr Bennett and Mrs Brown*, a lecture/essay where she observes how Edwardian novelists – Arnold Bennett, John Galsworthy and others – had failed to show an adequately modern grasp of the real nature of the working class, of women, of the changing social order. In the plays of Harley Granville-Barker, however, those things are both felt and seriously presented. Especially in his poignant, acute comedy *The Madras House*.

"We've so organised the world's work as to make companionship between men and women a very artificial thing." This is the most remarkable of the many extraordinary lines of *The Madras House*, not least for the ease with which it is located amid a vivid discussion. It is spoken by Philip Madras, heir apparent to a leading London couture house.

Philip, the protagonist of a play virtually devoid of plot but as rich in episodic detail as a 19th-century novel, is a perpetual observer – as sardonic as Professor Higgins in *Pygmalion* (whom he anticipates), as wistfully detached as a Dickensian hero and as humanely concerned as Pierre in *War and Peace*.

The play shows Philip in four different contexts: among a middle-class household with six adult but unmarried daughters: in the office of a drapery firm with numerous female employees, in an all-male business meeting (with female mannequins modelling clothes in silence), and at home with his parents and wife. And it shows us four married couples, each so oddly matched and so juxtaposed with the play's several unmarried women that we cannot help but reconsider marriage versus independence from many different angles.

Every scene is full of amusement; every scene has its pain at the world's wretched muddle. In this production, which the Lyric Theatre, Hammersmith is premiering at the Festival, the lines are slightly reordered so that Philip launches the play with the observation "What are the two most important things in a man's character? His attitude towards money and his attitude towards women." Philip keeps those two attitudes brilliantly interconnected, so that the play rises to its climax in his final, long dialogue with his wife Jessica. Like Higgins, he is an intellectual, impervious to female allurements; he treats his wife as a fellow-man – it is his compliment.

Granville-Barker was riding a great new wave of drama. You feel Ibsen, Wilde and Shaw throughout *The Madras House*; they enrich it and add to its excitement. In terms of exposition and pacing, he is not the master-playwright they are; in several ways, his is a novelist's sensibility. But *The Madras House*, like *The Voysey Inheritance*, is a real play, and a great one. Its characters, situations, lines and arguments are vivid, and live keenly in your mind after the curtain's fall.

Why is it so seldom performed? One problem, its large cast, is here solved in Peter James's production by having the women play multiple roles – to ingenious effect. Between scenes, the production also keeps confronting Philip and his friend Thomas with an ominous array of women in corsets – in the fashionable underpinnings marketed by the Madras House and required by the old order. Yes, a feminist production of a feminist play. Pamela Howard's designs strengthen the drama by being rudimentary. There are flaws: in particular the great all-male third act seems word-imperfect and under-rehearsed, its six contrasting characters not yet interacting spontaneously.

Roger Allam's Philip provides an eloquent central thread to the play – ironic, witty, sharp, vehement, wide awake to the dilemmas. But he is a little too completely English – too Higgins, suave, urbane. For Eve Matheson as his polished, intelligent wife, every praise. Helen Ryan, Sam Kelly, Suzanna Hamilton and Frances Cuka are the best of the other players. No brief newspaper review can convey the way this play's detail becomes so enthralling. I had not seen it before; hours after, I am still electrified. No British play of this century has so excited me.

Alastair Macaulay

***The Madras House* runs at the Lyceum until August 29. On September 2 it transfers to the Lyric, Hammersmith, where it continues until October 10**

Salzburg Festival

Salome

Ruth Walz

Catherine Malfitano

SETTING aside the Seven Veils, Richard Strauss's *Salome* has been over-dressed these many years: too many kootch-girls, eunuchs and catamites, the Dance itself too often a swollen production-number. None of this popular campery stems from Wilde's play, to which – as translated by Mike Nichols' grandmother! (not many people know that) – Strauss made judicious cuts, but added no "decadent" titivation whatever. In the original text Herod's party, far from being an orgy, was more like a "political breakfast", with visiting Roman dignitaries and local Jewish ones.

For the Salzburg Festival, the producer Luc Bondy has stripped the phoney accretions away. This is a co-production with the Théâtre Royal de la Monnaie; Brussels has struck lucky, for the result is dismaying in exactly the right way. The opera becomes an intimate *drame à trois*, Herod-Herodias-Salome – or rather *à quatre*, since John the Baptist is here not an abstracted, visionary ascetic but a hulking youth, desperately tempted by Salome's nubile blandishments.

There are no supernumerary guests; even Wilde's gigantic black executioner is reduced to a janitor-figure, woken from dull sleep to do his job. Salome's dance is a private, improvised affair, and the seven veils are passing props, not stages in a striptease. On the other hand, the five disputatious Jews (and their ingenious fugue) get an unusually clear run for their money; and the two converted Nazarenes pass through – a happy inspiration, this – with their whole family, eager pilgrims seeking their Saviour.

In this context, Catherine Malfitano's baby-faced Salome is no unhappy daughter of a decadent court, but an imp of wilful perversity, sung with great imaginative command.

The cistern from which Bryn Terfel's sonorously impassioned Jokanaan emerges is no more than a hole beneath the cracked parquet of Herod's dusty terrace, in Erich Wonder's stark setting. Hanna Schwarz's Herodias is a tough cookie out of *Dynasty*. Kenneth Riegel's clever Herod, familiar from Covent Garden, has altered subtly for Bondy's production – less arch, more bumbling and beleaguered.

He has to work hard to be heard, for in the Kleines Festspielhaus Christoph von Dohnányi's approach to the score is scathingly violent, once past the exquisite first pages. It is easy to treat this music as ripely tonal at bottom, with dissonant overlay; Dohnanyi does the opposite, gleefully highlighting every cross-grained line and chord. The score fairly shrieks – and yet Bondy fits gestures to music with precise, penetrating effect. An uncomfortably memorable production.

David Murray

The London Philharmonic

IN A country proud of its ancient customs, there seems to be a tradition in the making: an annual visit to the Edinburgh Festival by one of the London orchestras. This year the honour fell to the London Philharmonic – an honour, as it was allowed to programme the central German classics, while the hard work of preparing the festival's rarities was left to supposedly lesser visitors.

So exalted a position should not be claimed easily. Even in a festival that can no longer lure (or afford) the prestigious Berlin and Vienna orchestras, the competition is fierce. It was unfortunate for the London Philharmonic that it should have appeared hard on the heels of the St Petersburg Philharmonic, which had left ears tingling, passions roused, hearts elated.

The London orchestra's playing was not on that level. Its festival visit comprised a pair of concerts at the Usher Hall, one each under the orchestra's past and present Music Directors, Klaus Tennstedt and Franz Welser-Möst. Among the audiences, there was some disagreement as to which of the two was the stronger. I have no doubts. Both for maturity of musicianship and sheer quality of sound, it was Tennstedt's evening that lifted the spirits.

The playing did not exhibit the pungent clarity of the Russians, or their exhilarating passion. But the depth of tone, reaching molten-like to the orchestra's core, is in itself a distinctive feature, which it seems only Tennstedt can draw from the London Philharmonic players. His two Beethoven works, the Overture to *Egmont* and the Seventh Symphony, were both rock-firm, wise, sensitive, impressive in their unhurried determination to plumb the music to its foundations.

In Strauss's *Four Last Songs*, the music's beauties were indulged in a still more leisurely fashion. Tennstedt's grand, romantic vision ideally demands a soprano of limitless tonal opulence, which Felicity Lott did her noble best to provide. The gap between the last two chords was so long that one feared the audience would applaud too soon. At these speeds, the songs become the ultimate test in breath control and it was fortunate that Miss Lott passed in relative comfort.

The other concert, on Monday under Welser-Möst, was a very different affair. The single work on the programme was Bruckner's Eighth Symphony. So often seen as a slow and reflective symphonic journey best left to older conductors, the piece was here turned on its head. Welser-Möst is a young man and he made of it a young man's music. Within 10 minutes, the first movement was a frenzy of brass fanfares and string tremolandos; the opening of the finale foretold a battle of giants. This was the symphony as drama.

As befits a performance in the city of John Knox, Bruckner's deep-seated spirituality took on a harder edge, arguing in impassioned debate, celebrating with brass chorales of lacerating loudness and ferocity. To my ears, the performance entirely lacked dignity and radiant beauty, the essential Bruckner virtues.

Richard Fairman

INTERNATIONAL ARTS GUIDE

FRANKFURT

FRANKFURT FESTIVAL
Tonight's concert in the Alte Oper is given by the Deutsche Kammerphilharmonie, conducted by Dennis Russell Davies, with works by Copland and Ives, plus Philip Glass's Violin Concerto played by Gidon Kremer.

Sun: Cleveland Quartet plays works by Dvořák, Prokofiev and Haydn. Next Tues: Christian Zacharias is soloist in Brahms' First Piano Concerto.

Next Wed: Sinopoli conducts Bruckner. The festival also has a series devoted to Karlheinz Stockhausen and John Cage (1340 400)

COOPERATION 92
The pre-season programme at the Opernhaus continues on Sat and Sun with two performances of Britten's The Turn of the Screw, in a guest production by New Israeli Opera.

Next Tues and Wed: Shlomo Mintz directs the Israel Chamber Orchestra. Next Fri and Sat: Batsheva Dance Company. Sep 17: Merce Cunningham Dance Company gives first of four performances (236061)

JAZZ IM PALMENGARTEN
Open-air jazz concerts are given every second Thursday throughout the summer in the Palmengarten. Tonight at 19.30: Trombonist Albert Mangelsdorff. Bassist Günter Lenz and his sextet give the final concert on Sep 10.

GENEVA

● The 1992-3 season at the Grand Théâtre opens on Sep 11 with Gustave Charpentier's Louise. The opera season also includes new productions of Die Frau ohne Schatten (Nov 8), Cole Porter's musical Kiss Me Kate (Dec 17), Luisa Miller with Neil Shicoff and Kallen Esperian (Feb), Poulenc's Dialogue des Carmelites (March), Boris Godunov with Samuel Ramey (next May) and a revival of Nicholas Hytner's staging of Le nozze di Figaro (311 2311).

● The ballet season opens with a mixed bill of chorographies by Paulo Ribeiro and Jiri Kylian (Oct) and continues with a programme of new works by Itzik Galili and Christopher Bruce (Jan).

● The first concert in the 1992-3 subscription series by the Orchestre de la Suisse Romande is a Haydn and Britten programme conducted by Armin Jordan on Sep 30 (310 1131).

● Théâtre de Carouge begins its new season on Sep 15 with Molière's L'Ecole des Femmes, and continues with plays by Ostrovsky, Goldoni, Marivaux and Monique Lachère (343 4343).

LEIPZIG

The opera season opens on Tues with a revival of John Dew's production of Le nozze di Figaro. The opening week also includes Der fliegende Holländer with Simon Estes, Uwe Scholz's production of Coppélia and Cosi fan tutte.

The first new production of the season (Sep 5) is a double-bill of Bartók's one-act opera Duke Bluebeard's Castle and Schoenberg's Erwartung, staged by Peter Konwitschny (291036).

On Sun in the Gewandhaus, Hans Graf conducts the Leipzig Radio Symphony Orchestra in works by von Einem, Lalo and Mendelssohn.

The Gewandaus Orchestra's winter season opens next Thurs with a Beethoven programme conducted by Kurt Masur (71320)

LONDON

MUSIC
Coliseum 19.30 Opening night of English National Opera's 1992-3 season: Michael Lloyd conducts a revival of Jonathan Miller's production of Rigoletto, restaged by David Ritch, with Cathryn Pope, Arthur Davies and John Rawnsley. Runs till Sep 30, with next performances on Sat and next Wed (071-836 3161)

Barbican 19.30 Christopher Hogwood conducts the Academy of Ancient Music and Chorus in Purcell's Dido and Aeneas, with Catherine Bott and John Mark Ainsley. Sat and Sun: Elaine Paige in concert. Mon: Glenn Miller Orchestra (071-638 8891)

Royal Albert Hall 19.30 Mark Elder conducts the BBCSO in works by Dvořák, Grieg and Richard Strauss. Tomorrow: Barry Wordsworth conducts a Spanish programme. Sat and Sun afternoon: BBC Welsh Orchestra. Sun evening: Big Band Rossini. Mon: Andrew Davis conducts Elgar's Second Symphony.

Next Wed and Thurs: Royal Concertgebouw Orchestra. Next Fri: Anne Sophie Mutter. Next Sat: Günter Wand conducts Bruckner (071-823 9998)

THEATRE
● The Thebans: Adrian Noble's Royal Shakespeare Company production of Sophocles' three Oedipus plays transfers from Stratford, where it was among the most highly regarded of last year's shows (Barbican 071-638 8891).

● From a Jack to a King: witty version of Macbeth's climb to the top, set in the world of rock bands and packed with Sixties songs (Ambassadors 071-836 6111).

● Dancing at Lughnasa: Brian Friel's multi-award winning play which examines three weeks in the lives of five sisters in Donegal in 1936. The cast now features Michael Jayston and Sorcha Cusack (Garrick 071-494 5085).

● Philadelphia, Here I Come!: an excellent revival of Friel's first successful play (1964), about an Irish emigrant the night before his departure for America (Wyndham's 071-867 1111).

● Carmen Jones: Simon Callow's award-winning production of Oscar Hammerstein's update of Bizet is still going strong (Old Vic 071-928 7616).

● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUNICH

ART PROJECT 92
A pre-season concert series embracing a variety of musical disciplines takes place over the coming week.

The opening programmes tomorrow (in the Lukaskirche) and Sat (at Gasteig) have been devised by Gidon Kremer, and include music by Nono, Pärt and Gubaidulina.

Philip Glass is the main focus on Sun, and next week features dance, jazz and a programme entitled Radical New Jewish Culture, with events organised by Paul Hillier, John Zorn, Ornette Coleman and Arto Lindsay (Booking through Musikhaus Hieber am Dom, Liebfrauenstrasse, tel 226571)

● A selection of theatre and concert tickets is available at Konzertkasse Beck on the fourth floor of the Beck department store at Marienplatz 11.

NEW YORK

JAZZ/CABARET
● Michael's Pub: jazz singer-pianist Jo Thompson, Tues to Sat at 21.15 and 23.15. Woody Allen holds forth most Mondays (211 East 55th St, 758 2272)

● Carlyle Hotel: singer, pianist and songwriter Kurt Wieting in Bemelmans Bar 21.30 till 00.30 Mon to Fri, till Sep 4 (Madison Ave and 76th St, 744 1600)

● The Ballroom: jazz singer/pianist Blossom Dearie on Fri and Sat at 18.30 and Sun at 15.00, till Sep 6. Tues to Sat at 21.00, Sun at 19.00: Lypsinka (253 West 28th St, 244 3005)

● Catch a Rising Star: continuous entertainment by comics and singers, seven nights a week (1487 First Ave, 794 1906)

● Blue Note Jazz Club and Restaurant: this week's guest artist is renowned jazz singer Betty Carter. Next week: Billy Cobham Band. Sep 8-13: Herbie Mann 40th anniversary Reunion Band featuring Roy Ayers, Les McCann and David "Fathead" Newman. Sep 15-20: The Golden Men of Jazz. Sep 22-27: Max Roach Double Quartet (131 West 3rd St, 475 8592)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Thursday August 27 1992

Exchanges in turmoil

WORDS ARE cheap. Deeds may yet be required, however much Mr Lamont may hope that yesterday's words will prove a substitute.

If so, the chancellor is entitled to curse his luck, for the pound is not weak. Its trade-weighted effective exchange rate is higher than during the second half of 1991 and early 1992. The pound is stronger against the dollar than at any time since February 1991. Before that it had not been close to $2 since 1981. The pound is also stronger against the Japanese yen than at any time since March 1991.

Only against the D-Mark is the pound weak. This problem is shared by many, both outside the ERM and within it. The difficulty for the latter is that they may have to do something about it. In the UK's case, yesterday's London close of DM2.797 was less than two pfennigs above sterling's ERM floor. But pity the Italians, who are at their floor already.

Will the chancellor's luck change? If this is a crisis at all, it is one between the dollar and the D-Mark. The question then is whether anything effective might be done about the soaring D-Mark and the collapsing dollar.

The chances of effective intervention still seem remote. Recent intervention has had little effect, because many investors doubt whether the authorities have had their hearts in it. They doubt, in particular, whether the monetary authorities of the big three economies would allow intervention to override their domestic monetary objectives.

History suggests two sufficient conditions for whole-hearted intervention by a major country: that there appears to be no significant conflict between exchange rate policy and other central domestic goals or that the benefits of exchange rate stabilisation outweigh the costs to other domestic goals. Neither condition has yet been fulfilled.

Could things change? They just might. The US authorities do not want dearer money, but they will also want neither the dollar in free fall nor an impotent G7. The Bundesbank may be happy about the disinflationary implications of a strong D-Mark. It may be happy as well about the dwindling likelihood of European economic and monetary union. But it will not wish to be blamed for sabotaging either the future of the European Community or the credibility of the G7.

What if sterling slides to its floor, intervention notwithstanding? Mr Lamont could then remind his European partners, including the Bundesbank, that ERM intervention is an obligation upon all. If intervention were to prove unsuccessful, it is also hardly evident that British policy is out of line with realities.

Many will agree that the problem lies with Germany. The Bundesbank will do so too. But instead of lowering interest rates, it may well suggest a D-Mark revaluation – which would be unacceptable to many, especially the French. If neither the G7 nor the currency markets come to the rescue, Mr Lamont may yet have to make good on yesterday's words.

Copier protection

THE RECENT news that the European Commission is thinking of prolonging anti-dumping duties on Japanese photocopiers is a sad illustration of the perverse effects of protectionism. For five years, Japanese manufacturers have been subject to a levy of 20 per cent on copiers exported to the EC. In those five years, four things have happened. Japanese producers have switched production to the EC; their share of the EC copier market has risen; the number of independent EC suppliers has fallen from five to three; and copier prices in the EC are lower than they were before.

This raises two questions. First, it is not obvious why the three surviving European manufacturers should seek the continuance of a policy which seems to have served them so badly in the past. Second, given that the object of the anti-dumping duties is to make EC consumers pay more for their copiers, why should they tolerate the reimposition of duties, successful or not?

The policy may prove damaging to the European companies over the longer term as well. It could be argued that in several markets, not just in the EC, anti-dumping duties have not only dulled the competitive edge of domestic suppliers. They have also helped Japanese companies by bringing forward global strategies which they would eventually have pursued anyway.

A Japanese manufacturer such as Canon – the EC market leader in copiers – talks openly of how its eventual aim in copiers, typewriters, word processors and cameras is to establish manufacturing sites in developing countries to serve developed markets. Thus, the Japanese market will be supplied from south-east Asia or mainland China. The US market will be supplied from Mexico or South America. The EC will eventually be supplied from the former communist bloc or from Turkey. The necessary first stage is to establish manufacturing in the developed country itself. In several cases, such manufacture has specifically been brought forward by the threat of anti-dumping penalties. If EC producers cannot cope with this first stage of the strategy, it is unclear how they will deal with the second.

Nor is it quite clear why the rest of the EC population should care. The use of cashflow from domestic business to attack foreign markets has been standard practice for European companies for the best part of a century. Now that EC manufacturers find the tables turned, they seek protection on the grounds of lack of reciprocal access to the Japanese market. But for the most part, that is no longer the issue. Japanese manufacturers are exporting technology to the EC. In such cases as UK car manufacturing, they are also making a material contribution to the balance of trade. If EC producers cannot meet the challenge, there comes a point where it is no longer the business of EC consumers to bail them out by paying over the odds for their products.

German raids

THE VIOLENCE against foreigners which has flared since the weekend in the east German port of Rostock is an indication of the trials afflicting unified Germany. Well-drilled gangs of hoodlums, many of them Molotov cocktail-wielding members of extreme rightwing groups, have mounted nightly attacks on accommodation for refugees. In some shameful cases, local townspeople have applauded. The episodes illustrate the serious tensions caused by the probable influx of 400,000 asylum-seekers into Germany during the whole of 1992. Even though many of the thugs in Rostock came from western Germany, the turmoil shows the inflammable nature of the social tinder in a region struggling with the passage from communism to capitalism.

More widely, the unrest underlines the malaise gnawing at the spirit of consensus which has fostered Germany's postwar stability. Two years ago, Germany's parliamentary democracy failed to recognise the full extent of the challenges brought by reunification. Bringing together two unequal parts of a divided country has seriously strained Germany's economic and social fabric. The trouble on the north German coast is a further reminder that the transition still cannot be judged an unqualified success.

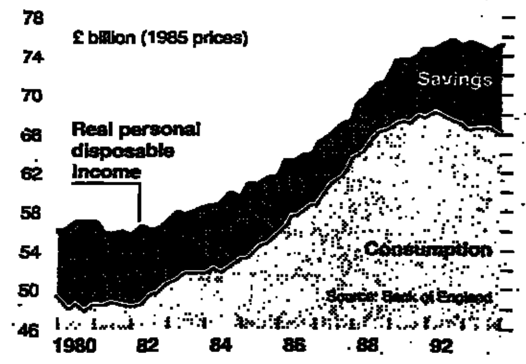
On the specific question of asylum, Germany is bearing a disproportionate part of the burden in Europe caused by widespread immigration from distressed areas of the former eastern bloc and the third world. Germany needs to change its constitution – as the opposition Social Democrats have now belatedly recognised – to stop misuse of liberal asylum regulations drawn up in the aftermath of the second world war. The problems of housing and feeding large numbers of people seeking solace from foreign hardship have tested social security budgets, as well as the patience of even well-meaning Germans. Many towns have simply run out of hostel space.

The country also needs to tighten policing in the increasingly large areas affected by outbreaks of xenophobia during the last year. The east German police, still containing many officers who sustained communist rule for 40 years, lacks authority in many regions east of the Elbe. The Rostock forces of law and order proved remarkably ineffective this week, although reinforcements have been rushed to the city to try to forestall the threat of more attacks in the next few days.

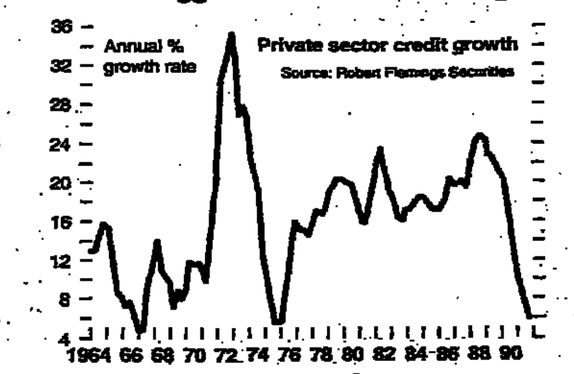
Above all, Germany must try to prevent further worsening of a strained climate where sections of the population seek scapegoats for the failures and disappointments of unification. It is up to German politicians to unite a country which is manifestly still divided, rather than to indulge in inter-party bickering. If they fail in that task, the rampage in Rostock will not be the last sign of ugliness along the road to unity.

UK consumers: won't shop 'til they drop

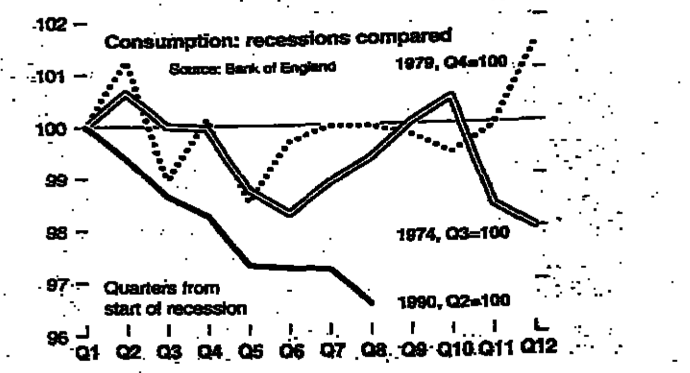
Rising savings during this recession...



...and sluggish consumer borrowing...



...mean spending is unusually depressed...



Saving days are here again

Debt repayment, not borrowing, is the name of the game, says **Edward Balls**

The profligate 1980s have given way to the prudish 1990s. History suggests that after two years of recession, Britain's consumers ought to be ready for a renewed bout of spending. Instead, they appear increasingly keen to save rather than spend, rent rather than buy, and pay off debts rather than borrow.

Consumer spending, which accounts for two-thirds of total domestic demand, has fallen further and for longer than in either of the past two recessions of 1974-75 and 1980-81. The hopes of the government, and of many economic forecasters, for a recovery this year rested on a fall in savings and a revival in spending. Yet savings remain stubbornly high and the much heralded post-election spending spree has failed to materialise.

The failure of the UK economy to pick up suggests that the Treasury underestimated the extent to which high real interest rates, unprecedented levels of consumer debt and depressed expectations about medium-term prospects would discourage consumers. A year ago, Goldman Sachs, the investment bank, forecast that consumption would rise by 1.5 per cent this year, assuming a fall in net personal sector savings from 10.2 per cent of disposable income last year to 9.4 per cent in 1992. But savings rose instead, to 11.5 per cent in the first quarter, its highest level since 1982.

The recession has reversed the past decade's pattern of falling savings and high borrowing. Net savings (the difference between consumer income and consumption) fell from 13.3 per cent of disposable income in 1980 to 5.4 per cent in 1988. But this fall was not matched by a drop in household investments in financial assets such as deposit accounts or shares. Gross savings flows into financial assets also fell, but only slightly.

What allowed households to maintain their acquisition of financial assets, while increasing the proportion of income consumed, was the rise in borrowing. Gross borrowing rose from 6.5 per cent of disposable income to 16.5 per cent over the same period. Households borrowed to finance their gross savings and to purchase more durable consumer goods than their current incomes allowed. Household debt doubled to more than 100 per cent of income in 1988.

The recession combined with high interest rates have encouraged consumers to reduce borrowing and pay off debts. The rise in net savings since 1990 is associated with the sharpest fall in consumer borrowing since the mid-1970s, as the chart shows. The annual growth of credit extended to households by banks and building societies reached a peak of 24.8 per cent in 1988 but fell to 5.8 per cent by the end of last year. The latest consumer credit figures reveal that outstanding credits, including bank loans and unpaid credit card bills, but excluding mortgages, fell by £55m in June, the first fall this year.

The reasons for this decline in borrowing and consumption are complex. But the underlying message is not encouraging for those expecting an imminent pick-up in spending. From statistics and personal experiences (below), three factors stand out:

- Cash-flow. Many consumers have cut their spending and decided not to borrow in order to service their interest payments and avoid losing their homes.

The Bank of England estimates that up to 1m homeowners, one in 10 of households with mortgages, now owe more to building societies and banks than the value of their home. More than 180,000 homes have been repossessed and a further 305,000 mortage-holders are more than six months in arrears.

Mr David Roberts is caught in this debt trap. Currently battling to meet his mortage payments, he is resigned to losing his current house and says he will not buy another. Nor will he borrow so readily again.

- Unemployment. Rising redundancies and the rising threat of unemployment, means that a much wider group than those facing the immediate threat of repossession is saving and repaying debts.

The monthly rate of increase of unemployment has fallen in the past few months. But headline news of the decision by Ford UK to cut production will nurture the fear that further redundancies are in store.

Mr Chris Poulter typifies the caution of the 1990s. A 23-year-old City foreign exchange dealer without a mortgage, he is saving rather than spending and will not run up debts until he is confident that his medium-term prospects are more secure.

- Costly debt. Most consumers are not threatened either by repossession or unemployment. But the combination of large debts with the highest levels of real interest rates at this stage in the economic cycle since the 1930s makes repaying debt a much more attractive investment than saving or borrowing.

Consider the arithmetic. Paying off £10,000 in mortgage debt in a lump sum means a saving of about £1,000-£1,100 in interest payments over the year, equivalent to £1,300-£1,470 in pre-tax income.

This implies an after-tax return of 13-14¼ per cent. Adjusted for inflation, the real return is 11-12 per cent. This compares with short-term real interest rates of a little above 6 per cent and no real return on investment in housing. So repaying debt makes sense.

Mr John Williams, a 38-year-old businessman, has no mortgage and does not face the threat of unemployment. But he is repaying his debts. "In the past I would have serviced my bank loans, hire purchase and credit-card debts by paying off the interest and a minimum amount of the capital," he says, "but now I am only concerned about paying off as much capital as I can."

One thing he will not do is borrow to buy durable goods. Consumers borrowed to buy cars and refrigerators in the 1980s when they believed incomes would keep rising. Now, depressed expectations and high interest rates mean many people are postponing purchases of durable household goods. The fall in durable goods spending has been far sharper than in overall consumption, as the chart shows.

While real interest rates remains high and consumers such as Mr Williams continue to find debt repayment so attractive, a consumer-led recovery remains remote. Never has virtue been so rewarded – or so unwelcome.

Five faces of frugality

Emma Tucker on converts to thrift, 1990s-style

JOHN WILLIAMS, a 38-year-old businessman, believes there has never been a better time to free himself of debts accumulated in the 1980s.

A new refrigerator, a better stereo, and even new clothes have been foregone as Mr Williams, who has cut up three of his five credit cards, has made repayment a priority.

Although he and his wife are in secure jobs and have no children, they rent a house and do not intend to take out a mortgage to buy property until all their debts – mainly hire purchase agreements, bank loans and outstanding credit card bills – have been paid. Nor will they act until they are sure that house prices have bottomed out.

"I am a great deal less profligate than I used to be. Before I would have spent money on anything that took my fancy and used my credit cards to pay for it. Now I don't want to incur any more debt," says Mr Williams.

ANDREA DIPPLE, (right) financial planning manager at a large food and drinks company, had always wanted to buy her own home. She liked the idea of decorating it exactly as she pleased, an option that would not have been open to her had she rented.

Unfortunately, her decision to buy a house in Kent at the end of 1989 has already cost her £20,000, not as a result of extensive home improvements but because the value of the property has fallen from £64,000 to £45,000.

"If the privilege of decorating a house as you like it is going to cost £20,000, then I think I would rather rent," she says.

Keeping up mortgage payments is not a problem for Andrea – her salary has doubled since she bought the house. The real headache is that she has taken a new job 75 miles away, and at the age of 26 finds herself with a deficit of £20,000 and a house she cannot sell.

JOY EVANS and her husband, both retired, sold their Manchester home three years ago, bought a smaller house and put the difference into a building society. The fact that their new house has gone down by some £10,000 in value does not worry them since they do not envisage having to sell it. Although they have never felt so rich, Mrs Evans says their desire to spend has been curtailed by worries over the difficulties facing their children, one of whom has had to let her house in order to meet her mortgage payments.

CHRIS POULTER, (right) a foreign exchange dealer at Citibank, has put off buying a house for more than three years and will probably leave it for at least another. In the meantime, most of the money he has earned over the past four years has gone into a building society.

"I haven't bought a car, and I've not had to buy a tv or washing machine, because the flats I have rented already had them," he says.

Although he can afford to go out and spend money, Chris, 23, says he does not feel particularly rich. With the recession causing job losses throughout the City, fear of unemployment lurks at the back of his mind. "My current spending plans are certainly nothing more than my living costs and a nice holiday every so often."

DAVID ROBERTS lost his job in a sheet metal manufacturer about two years ago, since when he has done temporary work. He is now £12,000 in arrears on his mortgage and an order to repossess his Stevenage home has been served. He has reached an arrangement with the building society to continue paying £235 a month, rising to £400 at an unspecified future date.

In addition to their mortgage problems, Mr Roberts and his wife owe another £25,000 on bank and hire purchase debts.

"I used to be able to do what I wanted. If the kids needed a pair of trainers I could just go and buy them, now I have to tell them to wait," says Mr. Roberts. "We can only afford the basics. I would rather save to buy something, than run up debts again."

BOOK REVIEW

Poisonous legacy of central planning

ECOCIDE IN THE USSR
By Murray Feshbach and Alfred Friendly Jnr
Basic Books, 376pp. $29.
To be published in the UK by Aurum Press £19.95.

At the end of a recent visit to the city of Cherepovets, 500km north of Moscow and the site of the largest functioning blast furnace in the world, a young businessman I had met took me out of town about 10km, through a wood to a good-sized lake. It was peaceful and still after the din of the vast steelworks, and fresh after the carbon and sulphur which pollute the town.

A few hundred metres out in the lake, an object rose out of the water. I said: "It looks to me like the top of a church." "It is," replied my companion." He pointed across the lake. "There is another": and there *was* another tower with an onion dome, poking out of the placid surface.

We were looking at what had been a valley, with villages, flooded in order to provide a transportation link in a chain of canals which led to the Baltic Sea. The villages which had been there had simply been covered over. It was an eerie and desolate spectacle.

A few months before, in another industrial city – Novokuznetsk, in Siberia I had felt myself grow nauseous within an hour or two of arrival. Water ran black from the taps and, by the evening, a thin film clung to my hands and face. The town was built near another huge steel plant and was itself surrounded by the slag heaps of coal mines.

On these and other occasions, the question inevitably arises: how can people live like that; how can they let it happen? To these questions, Murray Feshbach, a US academic, and Alfred Friendly, a journalist and former Moscow bureau chief of Newsweek magazine, provide the answers in a well-researched and frightening book.

The citizens of the former Soviet Union live like that because they have no choice. Cherepovets and Novokuznetsk are not the worst; and even if they were, a move to another town would not bring much relief.

How did this environmental catastrophe arise? Feshbach and Friendly make the now familiar but more than usually well-documented case that it is largely the product of the idealism released by the Bolshevik revolution and turned loose upon nature by the grandiose projects of the Stalin period.

"For the environment the central planning system became Frankenstein's monster. The fatal flaw was not necessarily in the nature of planning but in the yardstick – gross output – that Soviet planners used to set their targets and measure their progress...

"Most damaging of all to nature, the planning system treated all natural resources – land, water, mineral deposits and forests – as state property, virtually as a free good, the cost of which to the user was either minimal or nil."

The results have been the sunken villages of Cherepovets and the nausea of Novokuznetsk; the ruin of Lake Baikal and of the Aral Sea; the high risk of respiratory illness which threatens some 70m city dwellers; an infant mortality rate of 33 per thousand, on a par with the third world; and the constant danger posed by a dozen operational Chernobyl-style reactors.

Dr Grigory Barenboim, an environmental consultant, is quoted as saying: "We have become an environmental testing ground for the whole world and an ecological threat for the entire planet." The authors themselves say: "In the last decade of the 20th century, there are no leading industrial cities in the Soviet Union where air pollution is not shortening the life expectancy of adults and undermining the health of their children. The growth that made the USSR a superpower has been so ill-managed, so greedy in its exploitation of natural resources and so indifferent to the health of its people, that ecocide is inevitable."

Such ecological violence is no longer a secret within the republics of the former Soviet Union – though it was until the late 1980s. Then a series of angry liberals – including the late physicist and human rights campaigner, Andrei Sakharov, and Russian nationalists like the writer Valentin Rasputin – put the destruction of their environment in the vanguard of their campaigns.

As Feshbach and Friendly show, a great many ordinary people, especially women with children, began to protest spontaneously in the late-1980s, and almost immediately forced a demoralised Communist party on to the defensive.

It has had an effect. In Cherepovets, for example, the steelworks is switching to using less polluting coke dust – partly a result of government tax incentives. Some nuclear powerstations have been shut (contributing to a shortage of electricity), and Lake Baikal may be saved, due in part to a vigorous campaign by the Russian environment ministry.

But more has remained unchanged. A 1985 decree which ordered the closure of ecologically dangerous metalworks in Chelyabinsk and Magnitogorsk has been rescinded. The metallurgical ministry sent a circular asking the inhabitants to "understand the difficult situation in the country" and to "demonstrate responsibility and provide help to the nation's economy".

But, as the authors say, "demonstrating responsibility means accepting the prolongation of ecocide".

John Lloyd

Ruined lake: the dried-up banks of the Aral sea

Edward Mortimer

Not Kuwait, but . . .

While the Balkan case differs from that of the Gulf, there is no excuse for western inaction

FOREIGN AFFAIRS

"Too bad Bosnia's got no oil" was the headline on a recent editorial in the Catholic weekly, The Tablet. It encapsulates an argument now fashionable among western liberal idealists. Last year, the argument says, western governments were ready to take military action to restore the sovereignty of Kuwait. Their failure to defend Bosnia shows they are guilty of double standards.

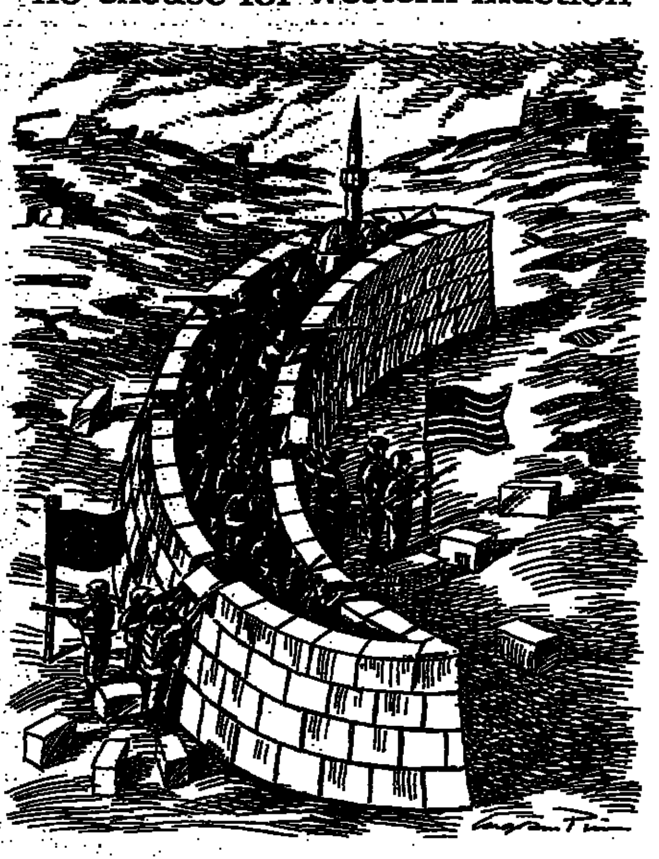
Western governments can hardly complain. They asked for it by recognising Bosnia-Hercegovina on April 7, and sponsoring its admission to the UN. A month earlier, an FT editorial had warned that "independence for Bosnia will be meaningless unless the territorial integrity of the republic can be guaranteed": an unfulfilled, and perhaps unfulfillable, condition.

The Yugoslav People's Army, as it then still was, was encamped in force on Bosnian territory, with large quantities of heavy weapons. Many of its officers and men were drawn from Bosnia's Serb population, which formed nearly a third of that of the republic. The great majority of Bosnian Serbs had boycotted the referendum on independence. Many were clearly ready to fight rather than obey an independent government that did not include their own leaders.

Of course those leaders were influenced by the government in Belgrade, and could expect support from it. But even had that not been so – even if there had been no Serbian "interference" in the new state's affairs from the moment its independence was proclaimed – the Bosnian government would still have been unable to control much of its nominal territory against the wishes of a minority so large, so determined and so heavily armed. Any attempt by outsiders to help it do so would have meant joining in a civil war.

An additional problem was that, although the Croats (17 per cent of the population) had voted for independence, they had done so tactically, to get away from Yugoslavia, rather than because they thought of themselves as Bosnian. In fact, no Bosnian nationality had previously existed. The Moslems had been elevated by Tito to the status of a nationality in their own right; they identified with Bosnia because, once Yugoslavia began to break up into its component republics, they had no other state to call their own. Yet by themselves they made up only 43 per cent of its people.

Serbs and Croats between them are 49 per cent, and many Croats want to be part of Croatia. A majority of the Bosnian electorate might even have voted for partition, had that proposition been put to them. That would not have been a solution, since it would have completely ignored the interests of the Moslems. But an independent Bosnia could only have worked on the basis of agreement between the three communities.



Oil or no oil, the parallel with Kuwait is false. Kuwait had existed as an independent state for 29 years before Iraq invaded it. Its sovereignty was not questioned by any of its inhabitants, and President Saddam Hussein could not find even a token group of them to "invite" or support his invasion. Coming to Kuwait's rescue was therefore a very simple matter politically.

None of that is true in the case of Bosnia. This being so, the EC would have been much better advised not to recognise that state until an agreement between the three communities had been worked out. The still unexplained thing is that it went ahead with recognition while negotiations for an agreement were in progress, without waiting for their outcome. Stranger still, it was apparently the US which insisted on recognition, although earlier it had opposed German pressure for recognition of Slovenia and Croatia*.

None of the above in any way justifies or excuses the Serb reaction, which has been to displace the Moslem and Croat population from the greater part of Bosnia-Hercegovina by a campaign of mass terror. Nor can the Serbian leadership in Belgrade escape a large share of responsibility for this, even if the extent to which it directly planned and co-ordinated the crime remains, for the moment, unclear. Nor yet can the "international community", that much-quoted but still elusive phenomenon, wash its hands of the affair simply because it is so complex.

Bosnia is perhaps a bit like Iraq, with three unequally matched communities condemned to live together

It makes no difference to assert that atrocities have been committed by all sides, or that some of the more spectacular mortar attacks on Sarajevo have been staged by the Bosnian army to arouse international sympathy. Those assertions may be true, but do not alter the fact that by far the largest number of victims are Moslem, and the largest number of perpetrators Serbian.

Bosnia is not Kuwait. But it is perhaps a little bit like Iraq, with its three unequally matched communities condemned to live together. In both countries western governments have been reluctant to get involved militarily, especially with ground troops, for fear of being caught up in an insoluble communal conflict. In both cases their reluctance has been partially and temporarily overridden by pressure from public opinion, outraged on humanitarian grounds, and by alarm at the scale of the refugee problem. Troops did go into northern Iraq last year to secure a "safe haven" for the Kurds; and now troops are being sent into Bosnia to protect humanitarian convoys.

It might make more sense if the Iraqi precedent were followed more precisely. There, the ground troops went in for a limited period and came out again, using the threat of air strikes to deter Mr Saddam from attempting to reverse what they had achieved; and now a similar threat is being used to protect the Shia in the south as well. Why not declare an "exclusion zone" in Bosnia as well? And, rather than expose UN troops to an escalating conflict in Serb-held territory, why not use western troops, as in Kurdistan, to secure a "safe haven" for Bosnian Moslems, who could then hold it for themselves with a promise of western air cover, while negotiating with the other communities from a position of relative strength?

Such a policy would encounter the same objection as the one in Iraq: that it tends towards a fragmentation of the country. That objection would probably be voiced especially by the Moslems themselves, who (unlike the Kurds) were scattered throughout the country and therefore have an interest in keeping it together. Yet the reality is that after what has happened they will not for a long time, if ever, be able to live with the Serbs as they did in the past. Even the pro-Bosnian "Yugofax" magazine admits this, in a telling report from Sarajevo:

"B-H's ethnic tolerance is rapidly being eroded. It is true that 20 per cent of Sarajevo's defence forces are still Serb and the majority of Serbs ignored Karadzic's call for them to attack their neighbours. But those who did respond have caused so much torment that they have created an anti-Serb atmosphere which did not exist in B-H even during world war two. For the ordinary citizen it is hard to grasp that while all Chetniks [extremists] are Serbs, not all Serbs are Chetniks."

That being so, the only imaginable future for Bosnia-Hercegovina is one based on cantons or "constituent units". The proper goal of western action, both military and diplomatic, is a haven or canton large enough for all the Moslem population to live in.

** See Michael Brenner, Les Etats-Unis et la Crise Yougoslave, in the latest issue of Politique Etrangère.*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Re-evaluating UK economic policy

From Mr L Bell.

Sir, It is almost beyond belief that, in the present state of the UK economy, the chancellor, Mr Norman Lamont, should not merely be considering an increase in interest rates but is actually advertising his readiness to do so in an attempt to reassure speculators of his determination to beat inflation.

After examining the devaluations of 1931, 1949 and 1967, Sir Alec Cairncross and Barry Eichengreen, in their book, Sterling in Decline, concluded that despite the variety of circumstances, such as terms of trade and behaviour of money supply, there is little evidence in any of those three episodes that the immediate gain in competitiveness was quickly extinguished by an inflation of wages and prices. Mr Lamont might do well to get this book out of the Treasury library.

L Bell,
Tyrrells,
High Street, Limpsfield,
Oxted, Surrey RH8 0DR

Consultants in DTI scheme are capable

From Mr Brian Mascall.

Sir, Sarah Hegarty ("Consultancy and fool's gold", August 18) does considerable disservice to the DTI's Enterprise Initiative Scheme.

I am sure most small and medium-sized enterprises using the scheme have found that the quality of consultancies reflects not only the quality of the consultant but also their own commitment to, and involvement in, the exercise. Any director or manager who thinks he can lie back and be "cured" by a consultant will be disillusioned.

Successful consultancy on a smaller scale is a partnership between willing participants. The key elements of successful consulting with smaller companies are painstaking briefing, close collaboration and scaling objectives to the capabilities of the client. He, in turn, must enter the relationship knowing that he has to take up the issues raised after the consultant has left.

The selection and management of consultants are, rightly, rigorous. We are competent and often highly qualified, and deserve better from your newspaper.

Brian Mascall,
Lanchester Consultants,
47 Fairfax Road,
Teddington,
Middlesex TW11 9DA

Missing a more deserving target

From Mr David Ish-Horowicz.

Sir, Teresa Gorman and your correspondent Michael Thompson-Noel ("Jobs for the boys", August 22-23) both miss the point. A Conservative MP should be fired for every UK bankruptcy, not a Treasury civil servant! If the music is unsavoury, does one shoot the monkey or the organ-grinder?

David Ish-Horowicz,
Lower Fisher Row,
Oxford OX1 1JY

Jobs follow education in Europe

From Mr Giles Cattermole.

Sir, Your article on shift work in Europe ("Cost constraints prompt a continental shift", August 25) did not tell the full story. LSI Logic's choice of Germany was wrong from the start: 21-shift working is abnormal there and shift premiums high. In France and the UK, continuous working is accepted. And in the UK, 21-shift premiums are lower.

There are limits. In France shift workers may not work overtime. In the UK, union pressure has meant a move from four shift teams for continuous working to five or six – bearable costs in capital-intensive industries.

So LSI could have found European locations to rival the US, if not Asia. It probably excluded the UK for lacking a "highly skilled workforce".

Giles Cattermole,
chief executive,
Strategy Resource Partners,
8 Hinde Street,
London W1M 5RG

Government assumption for council tax values faulty

From Ms Judy Mallaber.

Sir, John Willman ("Town Hall 2", August 24) has misunderstood the nature of the Local Government Information Unit's analysis. This is hardly surprising, since he has not seen the relevant work.

Our analysis looked at the gap between the government's original estimates of the 1991 values and the actual valuations that are now becoming known. But it did not conclude "that average tax bills would be £61 higher than predicted".

The LGIU recently carried out a survey of a number of local authorities to find out how the properties in their area had been valued and banded. The information collected *does* demonstrate that the actual valuations are lower overall than the estimates on which the government's illustrative council tax figures were based.

Our figures are based on the Inland Revenue's valuations. They are supported by similar research done by one of the local authority associations. The analysis shows how the government's initial overestimates of values *will* lead to higher bills than the illustrative figures, unless additional funding from central government is forthcoming.

Our conclusion is that these errors in estimating property values have reduced the overall tax base for council tax. To make sense of how we reached this conclusion, it is necessary to understand how the tax for each band is to be calculated.

Council tax will be set for band D which covers properties worth between £68,000 and £88,000 in England, the values for Wales and Scotland being slightly different. Ratios then determine the tax for the other bands. For example, the tax for band H will be exactly double band D.

The income which the government assumes a local authority will receive from council tax depends on the number of "band D equivalent" properties. The basis for the illustrative figures produced by the DoE in 1991 was that councils would "raise revenue of £6.8bn from the council tax" and, on their estimates of the number of band D equivalents, this would require a council tax for band D of £400.

Our figures suggest that the actual number of band D equivalents resulting from the valuations is 13.3 per cent below the DoE's original estimates. This means that band D tax in England would have to rise to £461 in order to raise the same amount of revenue. This is obviously where the £61 in the article comes from.

But our figures have nothing to do with "average bills". Each band is affected differently by any rise in band D tax, as the figures of the Chartered Institute of Public Finance and Accountancy quoted in the article show. For example, on our figures, a band D tax of £461 would increase band H from £800 to £923; band A from £267 to £308.

These figures were not plucked out of thin air, nor can they be said to be misleading. They simply result from taking the government's illustrative council tax figures – using exactly the same assumptions as the DoE in 1991, with one exception. We adjusted the distribution of properties between the bands in line with the results of our survey. In fact, our estimate of the potential tax increase in each band is very modest compared with those quoted from Cipfa, which showed band D tax going up by £139 and band H by £278.

Judy Mallaber,
Local Government Information Unit,
2nd floor,
1-5 Bath Street,
London EC1

OBSERVER

Sound biter bitten

■ Will the Chancellor's hurried appearance on the steps of Her Majesty's Treasury go down as one of those memorable occasions, like Denis Healey's decision to turn back just before he got on a plane to the IMF meeting during the 1976 sterling crisis?

It was very much a last minute decision. It is not the first time that the Chancellor has made impromptu statements. He often pops out of his home at Number 11 to give his thoughts on the economy. But standing in front of the Treasury is much more dramatic. It is one thing for the Minister of Fun to make reassuring public appearances. But is it really necessary for the Chancellor of the Exchequer to stoop to giving soundbites of this sort.? You would never catch a central banker giving such hostages to fortune. But then he's not a central banker.

In terms of his timing he cannot be faulted. If you are going to say something, it is best to say it first thing in the morning. Then people have all day to think about it. However, opinions of Lamont watchers are mixed. One thought he had done the right thing. Another said he wouldn't have recommended it. The markets are looking for actions not words. The TV archives now have plenty of material for "Lamont's last stand".

Bounced

■ The fall of sterling has taken on added significance in the Dorset resort of Lyme Regis, where, in counting his day's takings from holiday-makers, a market proprietor dropped two £1 coins on the stone floor. One bounced markedly less than the other.

Although both looked genuine, the impact chipped the yellow surface of the non-bouncer, revealing grey metal beneath, which turns out to be lead. A further check of the takings discovered a second coin of similar sort.

Both are convincingly moulded with milled and inscribed edges and turn the market scales at the same weight as the genuine article - 3/8ths of an ounce.

What profit the forgers have left after production costs can only be guessed at. But, given the effects of wet weather as well as recession on Britain's holiday trade, the proprietor is regretting having to hand the coins to the police. He has already had bids for them from curio collectors of £1.20 a piece.

Office romance

■ It's official. Derek Bonham, Hanson's newly promoted group chief executive, has tied the knot with the company's former head of US investor relations, Ms Karen Levy. And how do we know?

Under UK disclosure requirements, Ms Levy's Hanson shares and options are now lumped together with Bonham's, and so Topic had to carry the announcement. Hanson's share price may have fallen recently but Bonham's 29,000 extra shares should more than cover next week's secret honeymoon.

It's a knock-out

■ Economists at Midland's Greenwell Montagu and James Capel have more than a mere sterling crisis to worry about. With the Hongkong and Shanghai Banking Corporation's takeover of Midland Bank, a battle of the titans is shaping up to sort out who becomes top dog.

"I'm only voting No to upset the English"

In the blue corner, smooth-talking Roger Bootle, head of Greenwell Montagu's economic squad. In the red, Keith Skeoch, his level-headed rival at James Capel. The destinies of several nervous underlings hang on the outcome.

Since both chief economists are highly regarded by their City colleagues, Observer suggests a good starting point is to compare their forecasts for growth this year. In January the James Capel team forecast that the economy would grow by 2.0 per cent and Greenwell Montagu forecast growth of 0.9 per cent. The consensus now is for a contraction of 0.5 per cent.

On present form, Bootle seems the favourite.

Klapped out

■ The fayre at Simpsons, the famous City watering hole, has been the same for years – stodgy dumplings, watery gravy and a grill nicknamed the "heart attack on a plate". Diners in the Square Mile like it that way.

However, a group of dissident shareholders is threatening to spoil things at today's extraordinary general meeting. Businessmen deserve better, says rebel diner, Robert Klapp, former chairman of Select Appointments. Unfortunately, he and his chums haven't banked on the City's appetite for jam roly-poly and lumpy custard.

Customers like nothing better than to be reminded of school lunches by the "eat what you're given" attitude of Simpsons' staff. Managers of the Cornhill chop house and its sister eatery, the Jamaica Inn, are keen to preserve the status quo. Most diners seem to agree. Do I hear a loud burp for Klapp and his new boys?

Slave trade

■ The BBC is keen to be seen running a tight ship in the run-up to the renewal of its charter, but this is ridiculous.

It is looking for a new member of the management team at its Arabic service. "You'll be working as secretary to head and deputy head of the service and their hundred or so staff, helping them run 10¼ hours a day of BBC programming", says the advert. As well as secretarial duties, the lucky candidate will be responsible for coordinating the administrative procedures of the service and must be able to deal with confidential matters discreetly and enjoy solving people's problems.

Oh, and the salary starts at £12,346.

Straight up

■ Overheard at McDonalds in Lichfield:

"A medium coffee, please".
"Sorry, we only do regular and large".
"How big is regular then?"
"It's small".

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Thursday August 27 1992

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Tougher trade sanctions and diplomatic isolation threatened

Serbs warned over Bosnian war

By Judy Dempsey, Ivo Dawnay and Anthony Robinson in London

THE WORLD'S major powers yesterday threatened Serbia with tougher sanctions and diplomatic isolation as they started a peace conference in an effort to halt the fighting in the former Yugoslavia.

In a parallel move, European Community diplomats said Mr Boutros Boutros Ghali, the UN secretary-general, was expected to announce an expanded military operation under UN command to escort food convoys through Bosnia.

They said he would announce the plan – which could involve thousands more troops beyond the present peacekeeping force – at the joint two-day UN-EC conference in London today.

As the conference opened, the Serb-besieged Bosnian capital of Sarajevo was subjected to the most intense mortar attacks and gun battles in more than a month. At least six people were killed in the Hrasno district, and 10 were wounded in mortar attacks on the old part of the city.

Mr John Major, prime minister of Britain, which holds the EC presidency, warned that Serbia would face more isolation if Belgrade did not take steps to stop the fighting in Bosnia.

He promised to speed reconstruction aid and integration into the international community of those who co-operated with the peace process. But he warned: "If we do not get co-operation, the pressure will inexorably increase ... no trade, no aid, no international recognition or role."

Ashley Ashwood

Listening in: Radovan Karadzic, leader of Bosnia's Serbs, outside the peace talks in London

The day included the diplomatic posturings of Bosnian Serb leader Mr Radovan Karadzic – who attended the talks in the full knowledge that he would have only observer status. He briefly stormed out to protest that the Bosnian Serbs' conference position "was not as equal as the Muslims".

Yesterday, UN and EC diplomats began to outline a package of intensified sanctions currently being drawn up. These included the cutting of communications networks, a possible closure of airspace, and a further winding down of diplomatic representation in Belgrade.

Mr Lawrence Eagleburger, the acting US secretary of state, said Romania had agreed to accept US and other monitors on its territory to police compliance of UN sanctions against Serbia.

Other suggestions raised outside the plenary session were a French plan to set up reconnaissance overflights of Bosnia and a Canadian proposal to demand that all sides publicly disassociate themselves from any armed groups continuing to fight.

Bosnian officials expressed scepticism over such measures. They said that if their own forces stopped defending their country, Serbian irregulars would seize even more land.

Disparate groups vie for attention, Page 3

Hurricane Andrew hits Louisiana

By Martin Dickson in New York and Robert Peston in London

HURRICANE Andrew, claimed to be the costliest natural disaster in US history, smashed its way through the state of Louisiana yesterday, inflicting severe damage on rural communities but narrowly missing the low-lying city of New Orleans.

The storm made landfall late on Tuesday night some 60 miles south-west of the city in the agricultural Cajun country.

Although the storm damage from the hurricane's landfall in Florida on Monday was much greater than initially estimated, insurers' losses there are likely to total less than $1bn, well below earlier expectations, a senior member of Lloyd's insurance market said in London yesterday.

In Louisiana, the hurricane was causing severe damage in small coastal centres such as Morgan City, Franklin and New Iberia. By late yesterday morning, it was poised south of Baton Rouge, the state capital. However, its maximum sustained winds had diminished from about 140 to 100 miles per hour and were expected to weaken further as the storm headed north towards Mississippi state.

Initial reports said at least one person had died, 75 had been injured and thousands made homeless along the Louisiana coast, after 14 confirmed deaths in Florida and three in the Bahamas.

Meteorologists said the main threat now was flooding from the heavy rains with Andrew, and associated tornadoes, which have devastated Laplace, 20 miles west of New Orleans.

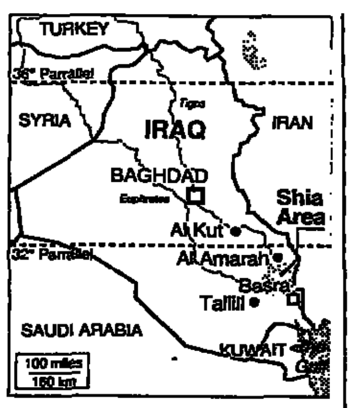
The storm appeared as yet to have caused little damage to Louisiana oil refineries, although some plants had to halt production when electricity was cut.

The Lloyd's member, in close contact with leading insurers in Florida, said that damage to insured property was remarkably small. More than $15bn of damage may have been caused in all, but was mostly to uninsured property, he said.

In north Miami, damage was minimal. Most of the destruction occurred in a 10-mile band across Homestead, 25 miles to the south of Miami, where a typical house sells for $100,000 to $150,000. US insurers will face a bill for such properties, but Lloyd's exposure there is minimal.

Across Florida, some 2m people remained without electricity yesterday morning and health officials were warning the public to boil or chemically treat all water.

Hurricane Hugo, which devastated much of South Carolina in 1989, cost the insurance industry some $4.2bn. Further uninsured losses may have raised the total to $6bn-$10bn.



Gulf allies

Continued from Page 1

ington is understood to have warned Iran against trying to increase its influence among its Shia co-religionists in southern Iraq.

The US has more than 200 combat and reconnaissance aircraft in Saudi Arabia and on the carrier Independence in the Gulf, and will provide most of the patrols over southern Iraq. Britain is contributing six Tornado aircraft, expected in Saudi Arabia today, and France is sending 10 Mirage 2000s.

Mr Bush again denied that the decision was related to his re-election camapaign. The president said recent evidence from witnesses and from Mr Max van der Stoel, the UN human rights envoy, had provided graphic proof of Saddam Hussein's brutality.

Iraq responded with hostility to the announcement, promising to confront the allies and "crush their criminal plans".

Fall in German workforce eases impact of higher wages

By Christopher Parkes in Bonn

GERMAN industry shed 11.5 per cent of its workforce in the year to the end of June, dramatically reducing the impact of high wage settlements on its costs.

The number of people employed in manufacturing and mining fell 1.1m to 8.3m, according to a report from the federal statistics office. In the former GDR, the industrial workforce was cut by 50 per cent, leaving only 953,000 in work, while the west cut 150,000 jobs.

As a result, and in spite of wage settlements averaging 7 per cent, industry's pay costs rose just 1.5 per cent. Pay bills in west Germany increased 2.8 per cent, and fell 15 per cent in the east.

The workforce figures underline the poor state of the east German labour market, seen as an important factor in the past four days of attacks on foreigners and police in Rostock, a shipbuilding city on the Baltic.

They also demonstrate the fading ability of western industry, the country's main wealth generator, to maintain the expansive employment rates of the past 10 years.

Publication of the statistics followed recent warnings of further heavy job cuts by many leading companies, and coincided with an unofficial report that a further 1m jobs are earmarked for the axe. The state railways and postal services alone plan to reduce their payrolls by 200,000, and steelmakers plan to cut 33,000 positions.

According to the federal statistics office, capital goods manufacturers shed 83,000 jobs in the year under review, consumer product companies lost 33,000, and the mining workforce fell by 10,000.

Meanwhile, west German industry increased sales in the first half by 1.8 per cent to DM980bn ($700bn), and raised overseas turnover by 2.8 per cent to DM266bn. Sales by eastern factories and mines, hit by restructuring and the loss of east European markets, fell almost 8 per cent to just DM44bn.

● Average west German inflation is expected to have stabilised during August despite an unexpected increase reported from the state of Hesse yesterday. The annual rate of price rises in the region rose to 3.4 per cent from 2.7 per cent in July. The increase broke a four-month run of steady decline. However, inflation in Baden-Württemberg was unchanged at 3.2 per cent.

EMS realignment hint unsettles markets

Continued from Page 1

feeling among some currency dealers that the Bundesbank might be following a "hidden agenda" of trying to provoke a realignment. Such a policy would be in outright opposition to the declared stance of Britain and France, which are trying to stave off any risk of a currency adjustment for a mixture of political and economic reasons.

Currency dealers know that the Bundesbank cannot possibly admit that it favours policies compounding the problems of EMS. But its high interest rate policies of the last year, by adding to the constraints faced by the other members of the system, have added to the political hurdles confronting the EC's plan for economic and monetary union – a project which the Bundesbank regards with well-known antipathy.

On the basic question of an EMS realignment, the Bundesbank has made clear for some time that it would not oppose a currency adjustment if currencies within the system came very close to their D-Mark floors.

Mr Jochimsen does not believe a realignment will take place during the three weeks before the French referendum on September 20.

World Weather

		°C	°F
Ajaccio	S	28	82
Algiers	S	34	93
Amsterdam	S	20	68
Athens	S	34	93
Bahrain	S	36	97
Bangkok	F	33	91
Barcelona	S	29	84
Beijing	S	31	88
Beirut	S	28	82
Belfast	R	12	54
Belgrade	S	34	93
Berlin	S	26	79
Biarritz	C	22	72
Bombay	F	30	86
Bordeaux	C	24	75
Boulogne	F	19	66
Brussels	S	22	72
Budapest	S	35	95
Buenos Aires	F	23	73
Cairo	S	35	95
Cape Town	S	17	63
Caracas	F	30	86
Casablanca †	[illegible]	24	75
Chicago †	F	21	70
Cologne	F	25	77
Copenhagen	R	19	66
Corfu	S	33	91
Dallas †	S	24	75
Dublin	F	12	54
Dubrovnik		-	-
Edinburgh	F	16	61
Faro	S	25	77
Florence	S	34	93
Frankfurt	T	20	68
Geneva	R	30	86
Gibraltar	S	29	84
Glasgow	F	14	57
Helsinki	S	17	63
Hong Kong	F	32	90
Innsbruck	S	28	82
Inverness	F	15	59
Islamabad	C	32	90
Istanbul	S	30	86
Jakarta	R	32	90
Johannesburg	S	16	61
Lisbon	S	27	81
London	F	19	66
Los Angeles †	C	18	64
Luxembourg	C	23	73
Madeira	S	24	75
Madrid	F	30	86
Majorca	S	35	95
Malaga	S	35	95
Malta	S	30	86
Manila	R	28	82
Melbourne	S	12	54
Mexico City †	C	20	68
Miami †	C	27	81
Milan	F	30	86
Montreal †	S	22	72
Moscow	F	18	64
Munich	F	29	84
Nairobi		-	
Naples	S	32	90
Nassau	C	32	90
New Delhi	S	32	90
New York †	S	24	75
Nice	S	27	81
Nicosia	S	31	88
Oporto	F	23	73
Oslo	F	16	61
Paris	F	21	70
Prague	R	28	82
Reykjavik	S	8	46
Rhodes	S	32	90
Rio de Janeiro	C	24	75
Rome	S	30	86
Salzburg	S	32	90
S Francisco †	S	13	55
Seoul	S	29	84
Singapore	F	30	86
Stockholm	F	15	59
Strasbourg	F	29	84
Sydney	S	14	57
Taipei	F	33	91
Tangier	S	25	77
Tel Aviv	F	31	88
Tenerife	F	28	82
Tokyo	F	33	91
Toronto †	S	22	72
Tunis	F	32	90
Valencia	S	33	91
Venice	S	29	84
Vienna	S	33	91
Warsaw	F	25	77
Washington †	S	24	75
Zurich	S	30	86

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

An interest in equities

It must be obvious after yesterday – if it were not obvious before – that the government will not shrink from raising interest rates to defend the pound. The exact timing of any such move is anyone's guess, and will depend on how long Mr Lamont can continue calling the market's bluff. The question for investors is whether an increase in rates is already reflected in the price of shares.

Equities are probably braced for a rise approaching 1 percentage point in the next few weeks. Prices might dip on any such an announcement, but if a single rate rise and intervention turned out to be enough to lift sterling off its ERM floor and hold it stable, equities could conceivably rally. The risk is that one rate rise might not be enough.

If sterling were still under pressure, rates mighits have to rise again, in which case earning prospects would be really squeezed. History suggests that it can take more than a single interest rate rise to smother a full blown sterling crisis.

With another lurch in the dollar or further anti-Maastricht French opinion polls still a real possibility, there are more uncomfortable days to come. The current clash is primarily between a strong mark and a weak dollar, and sterling – along with other ERM currencies such as the franc and the lira – is caught up in the backwash. That is not a position from which it is sensible to make short-term decisions.

WH Smith

WH Smith's full-year profits show the benefit of last year's rights issue and a handily reduced tax charge. That said, the good news is not restricted to the financial side of the business.

The defensive strengths of the core retailing and distribution operations shine through, and it is heartening to hear that better management information systems are being extended into Our Price records and Waterstone's booksellers. Even the Monopolies and Mergers Commission investigation into newspaper distribution seems unlikely to undermine Smith's profits.

However, there are bad points, and a picture of WH Smith as a well-run core business which squanders money on diversifications is not entirely unfair. The latest problem child is the Do It All joint venture with Boots.

FT-SE Index: 2285.0 (+4.8)

This suffers from a weak market position relative to rivals Texas and B&Q, and the "shed" price wars which have been such a feature this year. Some rationalisation is now under way, but it is difficult to see Do It All differentiating itself sufficiently from the competition to overcome its inherent weakness.

Fortunately, though it may continue to be a drain on earnings, it is difficult to see the DIY arm becoming a threat to the group. Even after yesterday's rise, the shares look reasonable value against the sector.

Guardian Royal

The most intriguing passage in yesterday's interim statement from GRE underlines the vulnerability of life company bonus rates. It is easy for the market to take cheap-shots at GRE's investment record. The reality is, though, that its place at the bottom of most performance tables can in part be explained by a more prudent actuarial approach.

Declining investment returns and pressure for more generous surrender values suggest that competitors cannot possibly sustain the level of policyholder rewards they achieved in the 1980s.

GRE still has some sorting out to do on the life side – but the message of a much reduced first-half loss is that at last the company is getting to grips with general insurance. The mild UK winter has helped and Germany remains a blot.

On the other hand, there is ample evidence in the UK private motor and household accounts of a willingness to sacrifice market share in the quest for renewed profitability. The delayed impact of UK rate rises means the rebound could be quite sharp next year.

In the short term that prospect and the absence of serious mortgage guarantee exposure underpins the shares, which have outperformed the market and other composites this year by 17 per cent and 30 per cent respectively. Longer term, though, GRE has to prove that once the process of loss elimination is complete, its UK operation is a quality business.

News Corporation

There are signs that Mr Rupert Murdoch is getting itchy inside the straitjacket imposed by last year's refinancing. Asset sales mean the repayment schedule is undemanding until 1994, but plans to raise $1bn from the debt market suggest a degree of impatience.

On the basis of yesterday's full-year figures, however, News Corporation looks fully able to deliver earnings growth without a big move.

The performance of newspaper titles in the UK and Australia is perhaps the most impressive feature. With costs pared and capital expenditure already in the bag, the group should be well placed for any upturn in advertising spend.

The same might be said of BSkyB: at the very least the project is no longer draining cash at the operating level. The scale of losses at Ansett are more disappointing – and are likely to remain a drag on earnings unless a serious buyer steps forward.

On the basis of yesterday's figures, Ansett's attractions are difficult to pinpoint. With a third domestic Australian airline due to take to the skies next month, margins will doubtless come under renewed pressure.

But events are now unfolding in News Corp's favour. An effective tax rate of 4 per cent will rise as tax losses run out, but only to perhaps 10 per cent in the current year.

Servicing the debt pile cost A$238m less than a year ago, thanks to lower interest rates. Given the potential for growth, a prospective multiple of around 11 times this year's forecast earnings is undemanding. But the low tax charge and the debt makes it less clear that the company deserves to trade on much of a price earnings premium to the market.

There is a limited amount of exhibition space available at the conference

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General Manager (Marketing)
Standard Life Assurance Company

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Miss Anne McMeehan
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Framlington Group plc

Mr Douglas Claisse
Director, Marketing & Operations
Clerical Medical Investment Group

Miss Elaine Baker
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Noble Lowndes & Partners Limited

Mrs Joanne Hindle
Chief Executive Officer
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H-A

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INSIDE

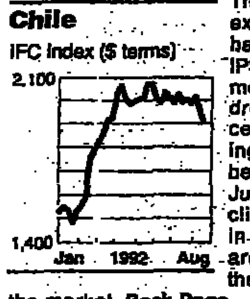
Profitable Varity will continue to cut costs

Varity, the US diesel engine, farm and industrial equipment group, returned to profitability in the second quarter but will continue rationalisation because of the uncertain global economic climate. Mr Victor Rice, chairman, attributed the turnround to lower costs, better results from Massey Ferguson farm equipment, strength in Kelsey-Hayes, the car parts division, and foreign exchange gains. Page 15

Chile funds escape the tax man

The stock exchanges of Santiago and Buenos Aires plan cross-border listings following a wave of Chilean investment in Argentina. Chilean speculators have pumped more than \$200m into the Buenos Aires Stock Exchange – Latin America's top performer last year. Nearly all has gone through unofficial channels to avoid the dreaded tax man. Page 16

Chilean equities lose their fizz

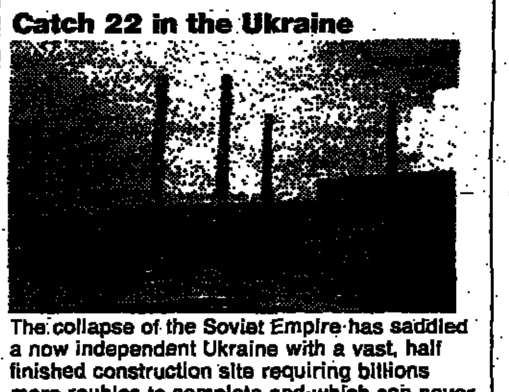


The Santiago stock exchange appears to have lost its fizz. The IPSA index of the 50 most traded shares has dropped by almost 9 per cent this month, following a steady rise between January and July in which the index climbed by 39 per cent in dollar terms. Brokers are at a loss to explain the bearish sentiment in the market. Back Page

Wace Group falls 29%

Intense competition in commercial printing and higher interest costs reduced pre-tax profit at Wace Group by 29 per cent to £5.55m (\$11m) in the first half of the year. The decline in operating profit from £11.3m to £10.1m stemmed mainly from the UK printing side of the business, which accounted for about a third of the £156.5m turnover. Mr Frans ten Bos, chairman, said pre-press work had fared better, particularly in the US. Page 19

Catch 22 in the Ukraine



The collapse of the Soviet Empire has saddled a now independent Ukraine with a vast, half finished construction site requiring billions more roubles to complete and which can never make a profit. The steel mills supposed to buy its products no longer exist. The Germans have pulled out. The Russians want nothing to do with the plan. But dropping the scheme is unthinkable. Page 20

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
GEHE	394	+	24	Euro Disney	70.6	+	2.6
Hochtief	900	+	25	Legrand	4325	+	173
Linde	701.5	+	13.5	Rhone P Cts	558	+	13
MAN	279.5	+	12.5	**Falls**			
Schm Lubeca	340	+	19	Ecco	386	–	12
Falls				Lafarge Coppee	272.5	–	9.1
Kaufhof	416.5	–	8.5	Legris	284	–	10.5

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Abbott Labs	30⅞	+	⅝	Ishihara S'yo	438	+	80
Chrysler	19⅞	+	⅞	Nagase	648	+	87
Ford	40⅝	+	½	Toyo Sanso	590	+	80
Gen Motors	34⅝	+	⅞	UBE Inds	380	+	52
Falls				**Falls**			
Geico	56½	–	¾	Nichboshin	265	–	80
Travelers	20⅝	–	⅛	Nippon Hsng Ln	386	–	90

New York prices at 12.30.

LONDON (Pence)							
Rises				Blue Circle	156	–	7
AcornComputer	41	+	4	Fairline Boats	160	–	10
BM	90	+	10	Friendly Htls	104	–	6
CMW	18½	+	3	Gibbs Mew	198	–	19
Euro Disney	728	+	20	Halls Homes	4	–	2
Graseby	140	+	7	Heywood Wlms	160	–	15
HSBC	324	+	18	Mallett	35	–	17
News Intl	448	+	23	Natl Home Lns	1½	–	¾
Sedgwick	109	+	8	Proudfoot(A)	130	–	9
Smith (WH) A	376	+	15	Redland	354	–	20
Falls				Sleepy Kids	6½	–	2½
AMEC	68	–	3	Vickers	109	–	6
Barratt Homes	17	–	4				
Blacks Leisure	32	–	4				

■ Domestic demand drops ■ Weak \$ adds to exchange losses

Toyota Motor suffers 40% fall to Y427bn

By Gordon Cramb in Tokyo

TOYOTA MOTOR, Japan's biggest automotive group, suffered a 39.7 per cent slide in worldwide pre-tax profits to Y427.9bn (\$3.3bn) for the year to June as a fall in domestic car demand was compounded by foreign exchange losses and the cost of new domestic and British outlets.

It was the company's second successive year of decline and Mr Tatsuro Toyoda, its president designate, said yesterday he expected no significant upturn in 1992-93.

Although Toyota remains the most profitable private sector company in Japan, the performance was its worst since the present group was created through the merger of its manufacturing and sales arms 10 years ago. Revenues were 3.1 per cent ahead at Y10,163bn, passing the Y10,000bn mark for the first time.

The company sold 4.51m vehicles during the year, down by 26,674 units, but margins at Toyota and its consolidated component suppliers and marketing offshoots were severely squeezed, and group operating income fell 56.3 per cent to Y218.5bn.

Mr Toyoda said rationalisation measures had saved the company Y40bn during the year. This was more than offset, however, by Y56bn in extra depreciation charges. Toyota is building plants in northern and southern Japan and at Derby in the UK, and its accounting system loads such outgoings to the units' early years.

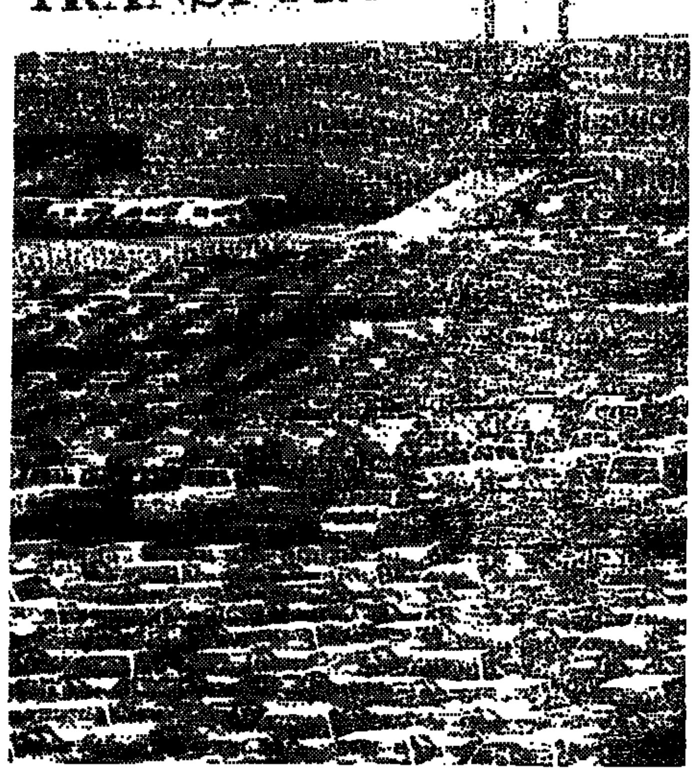
The company also took Y100bn exchange losses due to the weaker dollar. In its US pricing, Toyota would "closely observe what other companies do", said Mr Toyoda, but he suggested the Japanese domestic market could not absorb price increases.

The company would further review its product range at home, perhaps placing more stress on affordable lines.

For the Japanese parent company alone, pre-tax profits of Y375.9bn were down 34.6 per cent. Although sales rose 4.4 per cent to Y8,941bn, operating margins shrank to 1.4 per cent from 4 per cent. For the current year Mr Toyoda, who takes over as president next month, projected a 5.1 per cent rise in parent sales to Y9,400bn.

Toyota is paying an unchanged dividend of Y19 from parent net earnings per share of Y53.97, compared with Y97.57.

TRANSPORT



Toyota vehicles waiting for export from Nagoya Wharf

Price cutting puts pressure on Hoechst

By Christopher Parkes in Bonn

HOECHST, the German chemicals and drugs group, yesterday blamed price pressure, rising costs and the weak dollar for a 19.8 per cent slump in first-half profits. Plant closure costs and other structural measures also depressed the result.

Group sales, up 3 per cent by volume, rose only 1 per cent to DM23.4bn (\$16.7bn) because of a 2 per cent overall reduction in prices.

The fall in pre-tax profits to DM1.1bn followed a 20.3 per cent slump in 1991 earnings. The group said it hoped to avoid further reductions in the second half by rationalisation.

It also hoped improving market conditions would allow it to raise prices.

Hoechst's results fell between analysts' expectations, while Monday's announcement from its Leverkusen-based competitor, Bayer, of a 9.8 per cent reduction in first-half profits was better than forecast.

The companies' figures suggest that Bayer is pressing ahead faster with cost-cutting. The Hoechst workforce was 2 per cent down on a year earlier at 179,000 people. So far this year it has unveiled plans to cut a further 600 staff. Bayer trimmed numbers by 3.5 per cent compared with last year.

Bayer's distribution costs rose 4.5 per cent compared with 5.5 per cent at Hoechst.

According to Hoechst's shareholders' notice, published yesterday, there had been no fundamental change in the chemicals business. Although sales in North America improved 10 per cent – with 2 per cent coming from recently acquired Great Lakes Carbon – German demand was slack and European Community sales improved only slightly.

Conditions continued to worsen in eastern Europe.

The only bright spot was pharmaceuticals, where encouraging developments in the first quarter continued with the help of the new market in eastern Germany and new product launches. Sales rose almost DM400m to DM5.4bn in spite of the weak dollar.

The chemicals and pigments division was helped in the first half by brisk business in organic chemicals in the US, but not enough to prevent a fall in sales to DM5.46bn from DM5.6bn last time.

Deliveries of plastics and foils, the third biggest division after chemicals and drugs, also rose, but results were hit by "wholly unsatisfactory prices", the company said.

News Corp profit soars 65% to A\$531m

By Kevin Brown in Sydney

NEWS Corporation, Mr Rupert Murdoch's international media group, yesterday underlined its return to robust financial health by announcing a 65 per cent increase in net profit to A\$531m (US\$380m) for the year to the end of June.

The result, in line with market expectations, confirms that News Corp has dramatically improved profitability since completing a US\$7.6bn refinancing in February last year.

News Corp said revenue fell by 7 per cent to A\$10.2bn, reflecting the sale of assets worth A\$2.4bn, used to make early repayments of debts scheduled under the group's refinancing agreement.

The group said the "outstanding" result was due to stronger performances from its UK and Australian newspapers, together with its television and free-standing inserts businesses in the US.

News Corp also benefited from falling interest rates, which cut the cost of servicing debt by 20 per cent to A\$932m.

The main disappointments were the Twentieth Century Fox film business, which suffered from three expensive failures, and Ansett Transport Industries, the 50 per cent-owned Australian aviation group suffering from low prices in a recently deregulated market.

News Corp said it lost A\$56.8m from equity accounted investments, mostly reflecting losses at Ansett and BSkyB, the 50 per cent-owned UK satellite television business.

However, the group said BSkyB had moved into profit in March, 16 months after its loss-making Sky service merged with the rival British Satellite Broadcasting.

News Corp said operating profits before interest and tax rose by 2 per cent to A\$1.6bn, reflecting stronger margins and the effects of group cost-cutting.

Net profit fell to A\$502m after abnormal losses of A\$29m. These losses reflected rationalisation costs and the closure of a German newspaper, offset by a profit on the sale of the group's 55 per cent interest in its Australian magazine and commercial printing operations.

The group made a net loss after abnormals of A\$393m in the previous year, after taking account of abnormal losses of A\$714m caused by refinancing fees and losses on the disposal of assets.

At the operating level, US profits fell to A\$880m from A\$1bn the previous year, mainly reflecting the sale of eight consumer magazines and a newspaper in June 1991.

The group said Fox Broadcasting, its television network, achieved 21 per cent growth in ratings. TV Guide performed "well" in spite of a downturn in consumer advertising. However, HarperCollins, the publishing division, reported flat results, following cuts in public education funding.

UK profits increased 93 per cent to A\$382m, reflecting the stemming of BSkyB losses and a 28 per cent increase in profits from the group's five national newspapers.

In Australia and the Pacific Basin, profits fell from A\$332m to A\$328m, reflecting the sale of the commercial printing interests. However the group said its metropolitan newspapers performed "exceptionally well".

The South China Morning Post, in Hong Kong, made a record profit.

Murdoch plans \$1bn debt offering

NEWS CORPORATION plans to raise about \$1bn in long-term public debt in the next few months, write Ray Snoddy in London and Kevin Brown in Sydney. The decision, a further step in the rehabilitation of the world's third largest media company, is designed to replace short-term bank loans.

Mr Rupert Murdoch, chairman and chief executive, told the Financial Times during an interview in Los Angeles that he planned to sell in the medium term its 50 per cent holdings in Ansett Transport Industries (Ansett) which operates one of Australia's two domestic airlines and Ansett Worldwide Aviation Services (AWAS), an aircraft leasing company.

He said the shares "have been a source of profit when we needed it, but they do not fit a media company". That is the first confirmation of speculation that News Corp's long-term strategy excludes continued investment in the troubled Australian aviation businesses.

News Corp said last month Mr Murdoch would step down as joint chairman of Ansett. However, News Corp has previously denied it planned to sell its stakes in Ansett or AWAS. Both companies are co-owned with TNT, the Australian transport group.

Mr Murdoch said three major merchant banks had asked to raise the new long-term debt.

"We'd have to negotiate the rate, but they say \$1bn to replace bank debt is no problem," said Mr Murdoch.

Mr Murdoch said the plan for long-term finance was part of a strategy to escape from restrictions by a consortium of banks in return for rolling over debt of more than \$7bn.

"Right now, anything over \$50m, I have to go and get permission from the banks. We certainly plan to be out of that box in the next several months," Mr Murdoch said.

He hoped to win investment rating from the financial community for the first time.

Mr Murdoch stressed that he intended to see the company through the strains of airline deregulation in Australia.

"This may take two or three years. I would see eventually a third partner, a major international airline coming in at some stage and then we might go out," Mr Murdoch said.

He added that the same applied to Ansett Worldwide, the airline leasing business.

Ansett has been in financial difficulties since the deregulation of Australian domestic aviation in October 1990.

Interview, Page 17
Lex, Page 12

Pessimistic ABB finds no first-half upturn in demand

By Ian Rodger in Zurich

ABB Asea Brown Boveri, the Swedish-Swiss power engineering group, said that consolidated pre-tax profit in the first half fell 7 per cent to \$496m and the group forecast that the pre-tax result for the year would reach "about last year's level" of \$1.05bn.

The group said: "To date, ABB has not experienced any upturn in demand in the recessionary markets and no improvement in demand is expected in the second half of this year in the industrialised countries."

However, ABB has continued to receive large orders at a rapid pace, notably for power generation plants from developing countries.

In the first half, the value of these new orders totalled \$17.1bn; 18 per cent higher than in the first half of last year and serving to bring the group's order backlog at June 30 to \$30.3bn.

However, total revenues grew only 2 per cent to \$13.8bn, as the demand for standard products for industry and construction, as well as capital goods, stagnated or even turned weaker.

Revenues from western European countries were flat at \$8.1bn, and down 13 per cent in North America to \$2.3bn.

Earnings from the power plant division rose, while those from environmental control products and systems declined.

The group said earnings from the other business segments changed only slightly, indicating that margins had been preserved.

In North America, gains from restructuring were more than offset by lower sales volumes and prices. Earnings were down in the depressed Nordic region. Earnings in Germany, Italy, Switzerland and most Asian countries improved.

● BBC Brown Boveri, the Swiss group which holds 50 per cent of ABB, said its consolidated pre-tax profit after deduction of third-party interests was SFr344m (\$277.4m); 7.5 per cent lower than in the comparative period.

Revenues were up 5.7 per cent to SFr19.9bn. The board is proposing to split the bearer and registered shares five-for-one, and to convert the participation certificates into bearer shares. The latter move will dilute present shareholders' voting power.

Capital spending was trimmed to \$373m from \$421m, and the number of employees was reduced to 209,000 at the end of the period, 5,000 less than at the end of last year.

Coal fund permits 'sweet equity'

By Norma Cohen, Investments Correspondent

CIN Management, the company set up to manage the pension scheme of the coal industry, allows the managers of its venture capital fund CIN Venture to invest in projects alongside pensioners while choosing only the most lucrative part of each deal.

The practice is approved by the trustees of the pension scheme, including representatives of the National Union of Mineworkers and is not uncommon among venture capital fund managers, according to industry experts.

It emerges in a document circulated by one of CINVEN's rivals. CIN's venture capital managers are permitted to use their own money to invest in the same deals as pensioners but may restrict their funds to the highest yielding "sweet equity" of each deal, avoiding the lower yielding loan stock. Advisers who help investors find venture capital funds frown on the practise.

"Taking just the sweet equity has its dangers and it reduces the returns to investors. On the good deals, it bites in a lot," said one venture capital adviser. "But the worst is the double-dip, where the manager gets sweet equity plus carried interest."

CINVEN, unlike most other venture capital fund managers, does not allow its managers to profit from so-called "carried interest". That represents a share, usually 20 per cent, of all profits earned once a certain rate of return is achieved, and is usually even more lucrative than co-investment arrangements.

CINVEN, the UK's second largest venture capital investor, with roughly £800m (\$1.59bn) under management, is a bellwether of the industry. It handles roughly 4 per cent or £600m of the Coal Board's pension scheme. It also manages £120m of British Rail Pension Scheme assets and roughly £75m of Barclays Bank Pension Scheme assets.

At CINVEN, fund managers are required to invest along with pensioners in each deal in equal proportion to pensioners and may not pick and choose among deals, a CINVEN spokesman said. Fund managers borrow from a single bank at commercial rates and pledge their shares as collateral. While fund managers have earned spectacular returns on some deals, such as the recent management buyout of Taunton Cider, there have been other deals where the investment has been lost completely.

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MAN improves despite weakness abroad

By Christopher Parkes

MAN, one of Germany's biggest engineering groups, managed a 3 per cent net profit increase last year in spite of continuing weakness in overseas business, which accounted for 64 per cent of sales, and fading demand in the domestic market.

Total sales rose only DM140m ($100m), about 1 per cent, to DM19.2bn. Turnover from core interests in trucks and buses, diesel engines, rotary printing presses and plant construction rose DM900m, but the gains were eroded by a DM600m fall in sales of engineering products, including sheet-fed presses, and a DM200m decline in steel trading.

Net profits rose about 3 per cent to DM12m, net return on sales was up from 2 per cent to 2.2 per cent, and the company said yesterday that it intended to maintain its dividend at DM12 a share.

The group added that current orders of DM16.8bn – more than half in the most profitable business sectors – provided a "good basis for profits" in the current year.

However, it noted, there were no detectable signs of recovery in export markets. At the end of June, its foreign order book was down 10 per cent compared with the same time last year.

Domestic orders were 6 per cent lower.

New delivery contracts for heavy vehicles suffered from falling demand in the former GDR during the year, and totalled DM7.2bn compared with DM9bn.

However, the company said, demand was still stronger than in 1989-90, the last "normal" year before unification.

MAN reduced its workforce last year. The 2 per cent cut, mainly on printing equipment and other engineering divisions, took numbers employed to 63,250. The workforce in the commercial vehicle subsidiaries rose 1,000.

The group invested a record DM1bn, mainly in its vehicles and printing factories.

● Orenstein & Koppel, the building and mining equipment maker, has returned to the black with a DM7m pre-tax profit in the first half of this year, compared with a DM19m loss last time.

O&K, part of Hoesch, the steel and engineering group recently taken over by Krupp, increased sales 9 per cent to DM865m, and cut 600 jobs in the period under review.

Advance of 26% to £113m at WH Smith

By Maggie Urry in London

WH SMITH Group, the UK retailer and distributor which grew from a newsagent's shop that opened 200 years ago this year, was glad of its wide range of activities in its latest financial year.

Sir Simon Hornby, chairman, said that the breadth gave strength which helped the group increase its pre-tax profits by 26.6 per cent to £112.7m ($224.27m) in the year to the end of May.

Smith's A shares rose 15p to 376p yesterday as the profit rise exceeded expectations.

The rise was on sales of £2.13bn, up 8 per cent.

Trading profits rose 7.8 per cent to £120.9m, and interest charges fell from £28.2m to £3.4m, partly because of the £148m rights issue at the end of the previous financial year.

Sir Simon said that gross margins had been maintained in spite of competitive pressures and

productivity had increased.

Profits benefited from the closure last year of its travel business and the sale of television interests for £45m. Both operations had been loss-making.

However, Smith's joint venture in do-it-yourself retailing lost the group £2.7m, compared with a profit of £10.4m.

Sir Malcolm Field, group managing director, said that progress had been made in developing a new format for the stores.

Smith's had been forced to join in the "insane" price cutting in the sector in order to protect market share, he said.

Aside from DIY, Smith's retailing activities, which include the WH Smith chain, Our Price music and video shops, Waterstones book shops and a 50 per cent stake in Virgin Retail, increased trading profits from £87.8m to £89.8m.

Sir Simon said the market for recorded music fell 5 per cent, but Smith's had held its market share.

He was sure the market would recover.

The group's US retailing activities were "beginning to go forward very well," Sir Simon said. He was "confident of good growth next year and the year beyond".

Trading profits from the US were £6.5m.

The distribution activities, including newspaper and book wholesaling and office supplies, lifted trading profits from £24.3m to £29m.

A sharp fall in the rate of tax offset the increase in shares in issue to push earnings per share up 11.7 per cent to 31.5p.

A proposed final dividend of 9.1p (8.5p) will give a total of 13.4p (12.5p), up 7.2 per cent.

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Details, Page 18

Henkel bucks downward trend

By Christopher Parkes

HENKEL, the chemicals, cosmetics and household products group bucked the sector's downward trend in the first half of this year with a 3 per cent increase in pre-tax profits to DM388m ($277.1m).

The recently-acquired Swedish Barnängen cosmetics business contributed four percentage points to a 12 per cent increase in group sales to DM7.3bn. Excluding acquisitions, sales rose 3 per cent.

The group said European sales, excluding Germany, grew 23 per cent in the six months.

Philips sells bulk of its test unit

By David Brown in Amsterdam

PHILIPS, the Dutch electronics group, is selling the bulk of its test and measuring equipment business to John Fluke, the US electronic testing company, in exchange for cash and an unspecified number of additional shares.

Philips holds a 7.5 per cent stake in Fluke, based in Everett, Washington. The two companies have a product development and marketing alliance under which each has sold the other's test and measuring equipment (T&M) in their home markets since 1978.

"It has become apparent to both companies that a unified management structure, aligned under a single mission, would accelerate our growth and success," said Mr Bill Parzibok, Fluke's chief executive.

With the deal, Fluke will return to the European theatre after its five-year hiatus with a full sales, production and service operation. The Philips units will add some $125m to Fluke's annual sales of roughly $240m, making it the third largest player in the world market after Hewlett Packard and Tektronix.

Philips will retain T&M operations in Belgium (power supplies), Denmark (professional TV testing units) and Sweden (timers and counters). It refused to quantify the annual sales of these units but said 550 of its existing T&M employees would remain after the transfer to Fluke.

Philips declined to put a firm price on the transaction or reveal the exact number of additional Fluke shares it would take. It insisted the deal was contingent on due diligence and shareholders' approval but said it would remain a minority shareholder. Both companies expect the deal to be finalised by November.

Rothschild Bank moves to bolster equity base

By Ian Rodger in Zurich

MEASURES have been taken to bolster the shrunken equity base of Rothschild Bank, the Zurich affiliate of NM Rothschild & Sons in London.

A source close to the bank would not reveal details of the operation, but said the bank's total capital, after write-downs, was now in excess of the SFr197m ($158.8m) shown in a June 30 balance sheet.

Last month, the bank revealed that a recent credit review had found that some loans were not fully covered and so it quadrupled its provisions in the year to March 31 1992 to SFr99.8m and dissolved its SFr63.5m in hidden reserves.

Since then, a former senior executive has been arrested in connection with his activities at the bank, and it was confirmed earlier this week that the bad loan total was higher than that indicated in July.

Among the bank's known bad loans were those to the troubled York-Hannover property group, whose Coutinho Caro subsidiary in Germany filed for bankruptcy last week. The York-Hannover loans also exceeded the Swiss Banking Commission's regulations limiting the amount a bank can lend to a single client.

The source said the bank planned to make a full statement on its affairs around September 7, after the current restructuring was approved by the Swiss Banking Commission.

Rothschild Bank is controlled by the family interests of Sir Evelyn de Rothschild, chairman of NM Rothschild. Rothschilds Continuation Holdings, a Swiss company, owns 51 per cent of Rothschild Bank. The ultimate group holding company of Rothschild Continuation is Rothschild Concordia, a Swiss vehicle of Sir Evelyn's family.

However, Sir Evelyn's cousin, Lord Rothschild, does not have an interest in the Swiss bank, nor does his insurance business, J Rothschild Assurance.

Sharp jump at Continental fails to satisfy directors

By Andrew Fisher in Frankfurt

CONTINENTAL, the German tyre company which has spent much of the last two years fending off the approaches of Pirelli of Italy, yesterday reported a sharp jump in first-half profits but said its results were still unsatisfactory and held back by low prices.

The company said pre-tax profit totalled DM119m ($85m) in the first six months against DM31.5m in the same period of 1991, a rise of 277 per cent.

It said all activities, including tyre operations in Europe and the US and technical products, turned in improved results. In the first half of 1990, Continental had profits of DM100m.

Its Continental, Uniroyal, and Semperit tyre brands in Europe experienced a marked rise in profits, mainly as a result of replacement business. ContiTech, the non-tyre products subsidiary, was able to raise profits through a reduction of losses in one of its units. In the US, losses of the General Tire subsidiary were halved.

The group said business with car companies still suffered from heavy pressure on prices, further burdening a result which was unsatisfactory. Tyre and components companies have long complained that car manufacturers have squeezed prices for equipment on new vehicles. Some tyre concerns have also gone in for price cutting to raise market share.

Turnover in the period was 8 per cent higher at DM4.9bn. Tyre sales in Europe were 12 per cent higher at DM2.5bn, partly because of the inclusion of Nivis of Sweden for the first time. ContiTech's turnover was 4.5 per cent higher at DM1.2bn. General Tire, at which the group took a heavy loss last year on the closure of a Canadian plant, achieved an unchanged turnover in dollars but this emerged as a 1.2 per cent decline to DM1.05bn in German currency terms.

For the full year, Continental expected turnover growth of some 7 per cent to about DM10bn and a clear profit. It was too early for a dividend forecast, it said. No dividend was paid for last year after a net loss of DM128m compared with a profit in 1990 of DM93m.

Dutch publisher increases 39% to Fl 109m in first six months

By David Brown

WOLTERS KLUWER, one of the Netherlands' biggest publishers, reported a 39 per cent rise in first-half net profit to Fl 109m ($69m) from Fl 78m and has upgraded its forecast for full-year net earnings.

The 9 per cent increase in first-half turnover to Fl 1.15bn, was spread evenly across its geographical areas of operation.

Wolters Kluwer operates mainly in Europe and the US, and is active in legal and medical publishing, as well as in the scientific, business and educational markets.

Costs rose at only half the rate of income. The operating result jumped by 41 per cent to Fl 180m, compared with the Fl 128m achieved during the same six months last year.

It attributed roughly half this increase to recent acquisitions, the largest of which was Ipsoa, the Milan-based leader on the Italian tax and legal publishing market bought last year.

In spite of the cost of Ipsoa and other acquisitions, net financing costs were virtually unchanged at Fl 10.3m.

First-half net profit included after-tax extraordinary income of Fl 8.3m, the balance from disinvestment of shareholdings and businesses on the one side, and the cost of rationalising operations in the Netherlands and the UK on the other side.

Wolters Kluwer expected a 20 per cent rise in net profit over the Fl 214m achieved in 1991, corresponding to a 19 per cent rise in net earnings per share on a fully diluted basis.

KNP falls to Fl 158m midway

By David Brown

KNP, the Dutch paper and packaging group, reported a 43 per cent plunge in first-half net profit to Fl 91m ($57.64m) from Fl 158m as Europe-wide overcapacity in paper production, higher raw material costs and slumping prices bit deep into margins.

The company forecasts a substantial drop in earnings for the full year.

For the six months to June, KNP said sales were unchanged at Fl 2.4bn, the operating result fell from Fl 277m to Fl 173m and cash flow was down by Fl 61m to Fl 235m.

Both KNP's paper divisions (coated wood-free and coated wood-containing papers) faced heavy market over-capacity, which exceeded the climb in overall volume demand, which was 10 per cent.

In the packaging division, operating results fell, largely due to a slowing of demand in the former East Germany, which last year inflated first-half results. Selling prices overall were also lower.

Over-capacity, now slight, is expected to mount and raw material prices to climb in the second half. Overall, 1992 earnings will fall by at least 25 per cent from the Fl 280m achieved last year.

elf sanofi

SATISFACTORY GROWTH IN EARNINGS : + 11.6 %

ELF SANOFI's earnings for the six months ended June 30, 1992 progressed by 11.6 per cent compared with the corresponding prior year period.

Sales on a comparable basis were up by 6.5 per cent, while operating margin increased by 10.3 per cent after deducting research costs which rose by 11.1 per cent.

Consolidated earnings data (in millions of French Francs)	Six months ended June 30, 1992	1991	Percentage Variation
Sales	10,880	9,567	+ 13.7 %
Operating margin	1,082	981	+ 10.3 %
Net income	452	405	+ 11.6 %
Funds provided by operations	1,016	794	+ 28 %
Sales by business segment :			
Human Healthcare	6,081	5,148	+ 18.1 %
Bio-Activities	3,969	3,700	- 7.3 %
Perfumes-Beauty Products	830	719	+ 15.4 %
TOTAL	**10,880**	**9,567**	**+ 13.7 %**

Beneficial factors affecting operating margin included :

- the favorable impact of the Sanofi Winthrop Alliance and the growth achieved in international pharmaceuticals markets ;
- the good season experienced by seeds businesses in Europe ;
- the continuation of extremely strict measures to control the level of expenditures.

Interest expense dropped substantially in response to on-going improvements in balance sheet ratios.

The earnings contribution from associated companies declined, in particular as a result of high promotional costs incurred by Yves Rocher in the first half of the year.

80.9 per cent of the 1991 dividend has been paid to stockholders in the form of shares.

YOUR HEALTH IS OUR CONCERN

NOVUM

NOTICE OF EARLY REDEMPTION
to the Holders of
Euronovum N.V.
U.S.$60,000,000
12% Guaranteed Notes due 1993
Unconditionally Guaranteed by Novum, S.A. de C.V.
(Incorporated under the laws of the United Mexican States)

NOTICE IS HEREBY GIVEN in accordance with the provisions of the Fiscal Agency Agreement dated as of September 27, 1990 between Euronovum N.V., Novum, S.A. de C.V. and Banque Générale du Luxembourg, S.A. (the "Fiscal Agent"), that Euronovum N.V. has elected to redeem on September 28, 1992 (the "Redemption Date") all of its U.S.$60,000,000 12% Notes due 1993, as permitted by Section 4(b) of the Terms and Conditions of the Notes, at a redemption price of 100.4055% (the "Redemption Price") of the principal amount thereof together with accrued interest to the Redemption Date.

The Redemption Price of the Notes will be payable on or after the Redemption Date upon presentation and surrender of the Notes, together with all appurtenant coupons maturing after the Redemption Date, at the offices of the Paying Agent mentioned on the reverse of the Notes. In the event any coupon is not so attached, the face value of any missing unmatured coupon will be deducted from the sum due for payment.

Coupons which mature on the Redemption Date should be detached, presented and surrendered for payment in the usual manner.

On and after the Redemption Date, interest on the Notes will cease to accrue, and all coupons maturing after the Redemption Date will be void.

By: The Fiscal Agent
Banque Générale du Luxembourg, S.A.
Dated: August 27, 1992

RHONE–POULENC S.A.
Holders of Bearer and Registered
International Depositary Receipts (IDRs)

Holders of Registered IDRs are given notice that their payment will be mailed to them on August 31, 1992.

Holders of Bearer IDRs are given notice that the Annual Payment will be paid from August 31, 1992 (Payable Date). The Annual Payment is French Francs 23.28 per IDR Share.

Holders of Bearer IDRs will be paid by Chase Manhattan Bank (Paying Agent) against presentation and surrender of Coupon No. 3 not less than 3 business days prior to the Payable Date. If surrender of Coupon No. 3 is less than 3 business days prior to the Payable Date, the Annual Payment will be made by the Paying Agent 3 business days after surrender.

All Holders of Bearer IDRs are required to submit the name and address of a bank in Paris and a French Franc account for payment, or an address for which payment should be sent by French Franc check.

Coupon No. 3 may be presented to:

The Chase Manhattan Bank N.A.
Woolgate House
Coleman Street
London, England EC2P 2HD

The Chase Manhattan Bank
63 rue du Rhone
CH-1204 Geneva
Switzerland

The Chase Manhattan Bank
Luxembourg S.A.
5 rue Plaetis
L-2338
Luxembourg

The Chase Manhattan Bank
N.A.
42 rue Cambon
75001 Paris
France

THE BANK OF NEW YORK,
AS DEPOSITARY

August 27, 1992

CB FUND INTERNATIONAL
10A, Boulevard Royal - Luxembourg
NOTICE OF DIVIDEND PAYMENT

The General Meeting of Shareholders of CB FUND INTERNATIONAL has decided to pay a dividend of USD 3.16 per share for the financial year ending 31st May, 1992 to each share held on the 21st August, 1992, the shares being quoted ex-dividend on 24th August, 1992.

This payment will be made on and after the 28th August, 1992 against delivery of coupon No 8 to the Banque Paribas Luxembourg, 10A, Boulevard Royal, Luxembourg.

Dividend cheques will be sent to registered shareholders.

Dividends not claimed within 5 years of the precited date will lapse and revert to the Fund.

Luxembourg, 24th August, 1992
CB FUND INTERNATIONAL
P. Corbiau, Director — J. Pierson, Director

ABN·AMRO

ABN AMRO BANK N.V.

US Dollars 150.000.000
Subordinated Floating Rate Notes
1992 due 2002

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest period from August 24, 1992 to February 24 1993 the Rate of Interest has been fixed at 5⅞ per cent, and that the interest payable on the relevant Interest Payment Date, February 24 1993, against Coupon No 1 in respect of US$ 5.000 nominal of the Notes will be US$ 134.167 and in respect of US$ 100.000 nominal of the Notes will be US$ 2.683.333.

ABN AMRO BANK N.V.

ANZ Bank
Australia and New Zealand Banking Group Limited
A.C.N. 005 357 522
(Incorporated with limited liability in the State of Victoria)
U.S. $200,000,000
Floating Rate Notes due August 1994

Notice is hereby given that for the Interest Period 26th August, 1992 to 27th November, 1992 the Notes will carry a Rate of Interest of 3.71875 per cent. per annum with an Amount of Interest of U.S. $96.07 per U.S. $10,000 Note and U.S. $960.68 per U.S. $100,000 Note. The relevant Interest Payment Date will be 27th November, 1992

Bankers Trust Company, London — Agent Bank

ATLANTA/GEORGIA

The FT proposes to publish this survey on September 23 1992.
Decision makers in over 160 countries worldwide will see this survey.
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Fax: 071-873 3078

FT SURVEYS

First Interstate Bancorp

U.S. $60,000,000
Floating Rate Yen-Linked Notes due 1996

For the six months 26th August, 1992 to 26th February, 1993 the Notes will carry an interest rate of 3.7625% per annum with an interest amount of U.S. $192.31 per U.S. $10,000 Note, payable on 26th February, 1993.

Bankers Trust Company, London — Agent Bank

Lloyds Eurofinance N.V.
(Incorporated in the Netherlands with limited liability)
£200,000,000
Guaranteed Floating Rate Notes Due 1996

For the three months August 26, 1992 to November 26, 1992 the Notes will carry an interest rate of 10.9375% p.a. with a coupon amount of £137.47, in respect of £5,000 nominal of the Notes and £687.33, in respect of £25,000 nominal of the Notes payable on November 26, 1992.

Citibank, N.A. (Issuer Services) London, Agent Bank

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Varity back to profit but rationalisation continues

By Robert Gibbens in Montreal

VARITY, the US diesel engine, farm and industrial equipment group, returned to profitability in the second quarter but will continue – rationalisation because of the uncertain global economic climate.

Mr Victor Rice, chairman, attributed the turnround to lower costs, better results from Massey Ferguson farm equipment, strength in Kelsey-Hayes, the car parks division, and foreign exchange gains.

"We are lowering costs in all our businesses and we'll get the benefit when demand improves."

For the three months to July 31, Varity, based in Buffalo, New York, earned $14.1m, or 37 cents a share, the first profitable period since the fourth quarter of 1990. A year earlier it posted a loss of $7.6m, or 49 cents a share. Sales were $891m in the latest quarter, against $880.5m.

First-half profit was $11.7m, or 10 cents a share, against a loss of $44.9m, or $2.16 a share, a year earlier. Sales were $1.7bn, against $1.5bn.

Massey gained from a weaker US dollar and increased market share in Britain, France and the US while Perkins, the UK diesel engine builder, saw lower operating income, although sales were higher in both periods. It was hit by Europe's slowdown.

Kelsey-Hayes' sales and earnings rose about 7 per cent in the second quarter. First-half operating income was $64m on sales of $774m, against $47m on sales of $659m last time. It is a leader in anti-lock braking systems and recently won a $100m order from Opel, of Germany.

"We don't see any sign of recovery in Europe. Kelsey-Hayes will see only modest US car industry growth for the rest of the year."

PWA boosted by Airbus sale

By Robert Gibbens

PWA, the parent of Canadian Airlines International, is to receive a C$150m (US$126m) cash injection from the sale of its three remaining Airbus 310 aircraft to the federal government.

PWA will use C$100m to repay debt on the five-year-old aircraft and C$50m to bolster working capital. The money will give the airlines breathing space while it tries to negotiate an alliance with American Airlines or other deals to ensure its survival.

The company has turned down a share exchange offer from Air Canada and is negotiating an equity injection worth nearly C$200m from all its employees.

It says it is still negotiating the sale of C$45m of spares for the Airbus aircraft, made idle by the recession last autumn.

In July, PWA asked Ottawa and three provinces for loan guarantees, saying it had been driven near to bankruptcy by heavy industry over-capacity and fare wars with Air Canada. Ottawa then said it might buy the Airbus aircraft on certain conditions, including merger talks with Air Canada. These talks failed earlier this month.

Ottawa will use the 310s to replace Boeing 707s now operated by the Armed Forces.

Banks cover redemption of Ascii Swiss bonds

By Gordon Cramb in Tokyo

ASCII, Japan's biggest independent software company, is being bailed out by a group of banks after diversification into film and other media left it struggling to repay borrowings.

Six institutions led by the Industrial Bank of Japan are providing some Y12bn ($96.1m) to cover the redemption of Swiss franc convertible bonds due next March. Some funds have already been advanced, and the company said yesterday that the loan package should be tied up by the end of the week.

It would not confirm reports that the deal provided an additional Y3bn in immediate operating funds.

Ascii had Y1.23bn pre-tax profits in the year to March on sales of Y34.5bn. It has been hit by the Japanese economic slowdown this year, soon after expanding from its computer publishing and software base into film production and multimedia.

IBJ is said to be considering a management presence at Ascii to help put the company back on course.

Recession and price war holds Cathay Pacific to rise of 13%

By Simon Davies in Hong Kong

CATHAY Pacific Airlines, the international airline subsidiary of Hong Kong's Swire Pacific group, unveiled a 13 per cent increase in net profit to HK$1.26bn (US$163.6m) in the six months to June 1992.

The results were below analysts' expectations, emphasising the impact of the recession in major destinations, such as the UK, and the price war among rival Asian airlines. The corresponding figures for 1991 had been hit by the Gulf war.

A spokesman, defending the figures, said: "The airline industry worldwide is in economic disarray."

The yield per passenger kilometre fell by 2.3 per cent, indicating downward pressure on ticket prices.

The company was confident it could achieve improved results for the full year, but earnings growth is expected to be single digit, since passenger yields are unlikely to improve in the near-term.

Inflation also remains a problem, although the focus on boosting productivity has helped keep unit costs stable.

Net finance charges were up sharply in the six months to June, due to the purchase of new aircraft, and declining interest income from surplus funds.

Turnover rose 11.5 per cent at the interim stage, to HK$10.98bn. Earnings per share rose by 5.1 cents to 43.9 cents, and Cathay held its interim dividend at 10.5 cents.

Wharf gains 12% for first half

By Simon Davies

WHARF (Holdings), the flagship listing of the empire founded by the late Sir Yue-kong Pao, announced a HK$900.8m (US$116m) net profit for the first half of 1992.

The company has changed its year-end from March, and the results represent a 12 per cent increase on the six months to September 1991.

The company also signed letters of intent yesterday for a Yn10bn (US$1.83bn) infrastructure project which will transform the city of Wuhan in the industrial heartland of China. It includes a containerisation terminal, air cargo retransportation centre, modernised and expanded rail links and power supply, and substantial property development.

Wharf's interim results held few surprises. Increased earnings came primarily from a 10 per cent boost in rental income from its Harbour City development, and container terminal operator Modern Terminals also showed strong growth.

But 1992 will be a year of consolidation for the group, before a substantial increase in the size of its property portfolio comes through in 1993.

Wharf is operating a property rental portfolio of 7m square feet. Within two years, this will increase by more than 100 per cent, with the Times Square and Gateway Towers developments in Hong Kong and Lane Crawford Place in Singapore, which will all be completed by the end of 1994.

There was an extraordinary profit of HK$57m from the sale of long-term investments. The directors recommended an interim dividend of 16.5 cents, up from 14.5 cents in 1991.

Iscor down 44% due to market conditions

By Philip Gawith in Johannesburg

ISCOR, South Africa's largest steel producer, suffered a 44 per cent decline in profits in the year to June after being hurt by weak export prices and a depressed local market.

Attributable income was down to R346m ($126.2m) from R624m in the wake of a R170m rise in financing costs to R403m. Turnoveradvanced by 16.6 per cent to R8.6bn from R7.4bn, but pre-tax income fell to R748m from R874m.

Earnings per share declined to 18.5 cents from 33.4 cents and the dividend was cut to 6 cents from 11 cents per share.

The results were in line with market forecasts, but the share fell to close yesterday at a new low of 98 cents.

Iscor registered a 22 per cent increase in export volumes which rose to 53 per cent of total steel sales. But this was offset by an 8 per cent fall in dollar export prices and a fairly firm rand-dollar exchange rate.

Domestic steel sales also fell 5.1 per cent to a 15-year low. Total tonnage sold rose by 7.7 per cent to 6.04m tonnes.

Mayne Nickless reports 26% rise to A$143.7m

By Kevin Brown in Sydney

MAYNE Nickless, the Australian transport, security and health group, yesterday reported a 26 per cent increase in equity accounted net profit of A$143.7m (US$102.1m) for the year to the end of June.

The result included abnormal profit of A$54m before tax, largely reflecting the sale of its cross-shareholding in Amcor, the Australian packaging and paper group.

Net operating profit after minority interests but before abnormal items was down 3.2 per cent to A$99m on turnover down 4.4 per cent to A$2.8bn, reflecting the Amcor disposal.

Mayne Nickless described the result as "steady" in the light of poorer trading conditions which had put pressure on prices and margins in spite of generally steady volumes.

Revenue increased nearly 9 per cent by the acquisition of Metropol Security Services, Interlink Express, a UK parcels company, and full ownership of Hospital Corporation Australia.

The board said reduced earnings from Australian express freight activities were offset by improved contributions from healthcare businesses, express freight in the UK and security services in the UK and Canada.

European earnings jumped 150 per cent before interest and tax to A$29m, sparking an increase of 80 per cent in non-Australian earnings to A$46m.

An unchanged final dividend of 17.5 cents per share, fully franked, was declared, making a total of 35 cents, equivalent to 34.7 cents adjusted for a one-for-five February rights issue.

Pioneer International up 9% to record level

By Kevin Brown

PIONEER International, the Australian building materials and petroleum group, yesterday announced a 9 per cent increase in net profits to a record A$179m (US$127m) for the year to the end of June. Turnover was down 6 per cent to A$5.1bn.

The group said the result was in spite of difficult trading caused by recession in its main markets in Australia, the UK and the US.

The result was struck after including a net abnormal profit of A$5.7m. This was created by a A$63.7m profit on the sale of the group's shareholdings in the Ampolex and Oil Search exploration companies, offset by a A$58m write-down of non-current assets. Pioneer said this year was likely to be "one of the most challenging we will experience". It added there was evidence of an end to the recession, but tangible signs of recovery were elusive.

However, the group said it expected to benefit from the federal government's budget announcement that its programme of public works would be expanded by A$1.2bn to A$4.5bn over the next two years.

At the operating level, profits from petroleum activities were flat at A$187.7m because of a fall in demand and a reduction in refinery margins, exacerbated by a change in the pricing formula applied by the Australian regulatory authorities.

Li Ka-shing's son moves up at Hutchison Whampoa

By Simon Davies

Mr Richard Li, the youngest son of Hong Kong tycoon Mr Li Ka-shing, has been made executive director of his father's $HK47bn (US$6.1bn) capitalised Hutchison Whampoa.

The appointment will fuel rumours that the 25-year-old is being rapidly groomed for the position of managing director, now held by Mr Simon Murray.

The new director has been running his father's satellite television venture STAR for a year.

The custom of family rule in Hong Kong business makes the move seem almost inevitable.

Curaçao Depositary Receipts

of

PIONEER ELECTRONIC CORPORATION

The undersigned, being the Agent of Caribbean Depositary Company N.V., announces that Pioneer Electronic Corporation has declared a dividend of Yen 12,50 per share (final div. for the financial year 1991) which will be payable as from September 1st, 1992 at the office of Pierson, Heldring & Pierson N.V.

This distribution, which has been converted into U.S. dollars pursuant to section 4 of the Deposit Agreement will be available to holders of CDR's against surrender of **coupon** 37 less 20% Japanese withholding tax, to the effect that per CDR's evidencing

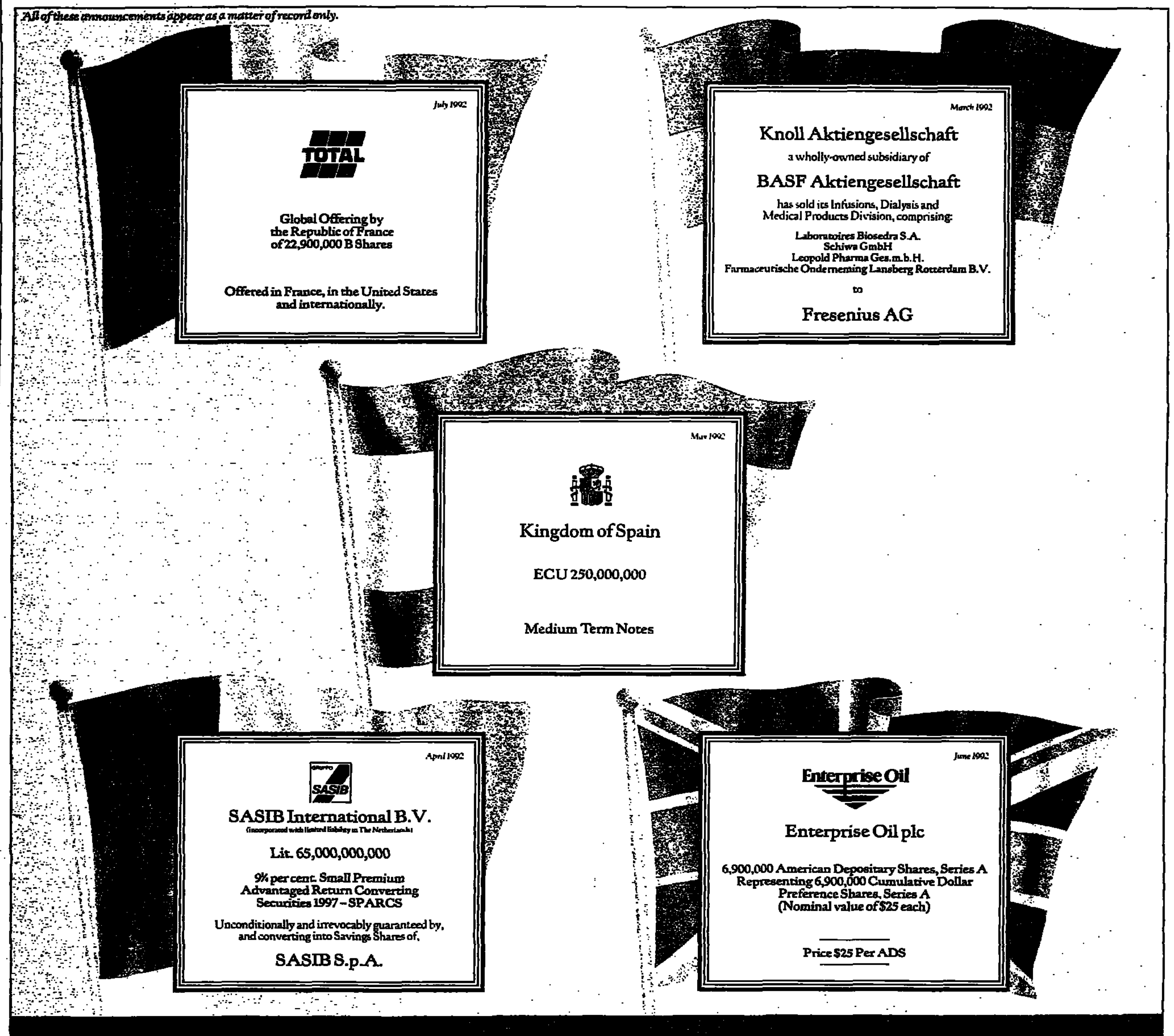
5 Depositary Shares $ 4,00 (4,24)
10 Depositary Shares $ 8,00 (8,48) and
100 Depositary Shares $ 80,00 (84,80) is paid.

The amounts stated between brackets represent the dividend less 15% Japanese tax. These dividends will be paid until October 31st, 1992 but only on condition that the coupons to be surrendered will be accompanied by an "Affidavit" (obtainable with the undersigned), evidencing that the benificial holders of the CDR's are residents of a country which has concluded a Tax Treaty with Japan. In the Netherlands dividends will be paid to residents in Dutch currency at the daily rate of exchange unless otherwise instructed.

Amsterdam, August 20th, 1992

Pierson, Heldring & Pierson N.V.

All of these announcements appear as a matter of record only.



Successful European Partnership in 1992

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INTERNATIONAL CAPITAL MARKETS

Fears over sterling continue to trouble gilts

By Angus Foster and Tracy Corrigan in London and Patrick Harverson in New York.

UK GOVERNMENT bonds ended up to a half point lower on continuing worries about sterling and a poor response to an auction of long-dated gilts.

GOVERNMENT BONDS

Prices fell sharply in the morning when the auction results were announced, and dropped again when Bank of England intervention in the currency markets failed to give a sustained lift to sterling.

There was a slight rally in afternoon trading in line with firmer European markets, but longer-term issues closed well below their opening levels.

The £2.5bn auction of 8¾ per cent gilts due 2017 was covered 1.24 times with an average price of 96¼, to give a yield of 9.07 per cent. The cover compared with 1.82 times when the stock was first auctioned in April.

Dealers said the disappointing response was not surprising given market conditions. Only domestic investors would hold the stock because of its long maturity, they said.

Futures market volumes were active with more than 90,000 contracts traded. The Liffe gilt futures contract fell from 95.24 to 95.01 in late trading. In the cash market, the 9 per cent gilt due 2008 fell ¼ to 97⅞ to yield 9.26 per cent while the shorter dated 8¾ per cent gilt due 1997 lost ⅛ to 95¾.

Speculation of another French opinion poll predicting a rising "No" vote for Maastricht also undermined the market.

"It will remain volatile until the September 20 (French) referendum but we may have found some support at these levels," said Mr John Shepperd, economist at SG Warburg.

■ IN SPITE of further signs of growing anti-Maastricht sentiment, French government bond prices rose 40 basis points. News of an unexpectedly high trade surplus in July prompted an early rally in bond prices, and some covering of short positions.

Dealers said that the market had been oversold on Tuesday, as fears of a 'no' vote mounted.

The French bond market outperformed German bunds yesterday, causing the bund/OAT yield spread to tighten from 134 basis points to 125 basis points. Conflicting comments on the Bundesbank's attitude to realignment of the exchange rate mechanism also unsettled the market.

■ SWEDISH government bond prices fell early yesterday after the Riksbank raised its marginal rate by three percentage points to 16 per cent, but recovered later in the day as dealers covered short positions.

The rise in interest rates, the second in a week, is aimed at stemming recent large capital outflows, dealers said they had expected a further rate rise, but were taken aback by the size of yesterday's the increase.

The yield on the 10¼ per cent bond due 2003 rose to 11.40 per cent early in the day, up from 11.29 at the previous close, but recovered to end at 11.11 per cent.

The Swedish central bank's move prompted Finland to lift its tender rate by 1.5 percentage points to 17 per cent.

■ US Treasury prices rose across the board yesterday on a stable dollar and further evidence of economic weakness.

By midday the benchmark 30-year government bond was up ¼ at 97⅛, to yield 7.499 per cent. The two-year note was also firmer at midsession, up ⅛ at 99⅞, yielding 4.283 per cent.

For the second consecutive day the dollar was able to hold its ground at DM1.40, which helped boost bond market sentiment. The market received the most support, however, from the July durable goods report, which registered a 3.4 per cent decline. Analysts had predicted a flat reading in durable goods, and although the bulk of the decline was accounted for by transportation orders, the figures prompted a round of buying.

Analysts particularly noted the 1.4 per cent fall in unfilled orders, the 11th monthly decline in a row and bad news for future production and employment.

■ JAPANESE government bonds ended slightly lower in quiet trading on profit taking, following gains earlier in the week.

After a strong opening, hedging against a new 10-year, Y1,000bn auction depressed prices in the afternoon. But dealers said underlying sentiment remained positive.

A coupon of 5 per cent, in line with expectations, was set for the new issue, No 151. Dealers said average prices were good. The No 145 bond, which is expected to become the benchmark today, opened with a yield of 4.82 per cent and closed at 4.84 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.7099	-0.001	8.83	8.29	8.56
BELGIUM		8.750	06/02	98.2500	-0.150	9.02	8.99	8.94
CANADA *		8.500	04/02	107.2500	-0.450	7.43	7.28	7.60
DENMARK		9.000	11/00	95.8000	+0.700	9.75	9.66	9.31
FRANCE	BTAN	8.500	03/97	95.6341	-0.203	9.70	9.42	9.40
	OAT	8.500	11/02	95.8400	-0.230	9.13	9.00	9.03
GERMANY		8.000	07/02	100.7550	-0.115	7.89	7.96	8.03
ITALY		12.000	05/02	92.8500	+0.260	13.77†	13.69	13.91
JAPAN	No 119	4.800	06/99	100.5164	+0.362	4.70	4.72	6.12
	No 129	6.400	03/00	108.7967	-0.126	4.65	4.72	4.98
NETHERLANDS		8.250	06/02	99.5350	-0.060	8.31	8.34	8.36
SPAIN		10.300	06/02	86.8500	-0.800	12.70	12.19	12.21
UK GILTS		10.000	11/96	100-03	-36/32	9.96	9.50	9.35
		9.750	08/02	101-01	-17/32	9.58	9.23	9.08
		9.000	10/08	97-26	-19/32	9.26	9.00	8.99
US TREASURY *		6.375	08/02	97-17	+5/32	6.72	6.49	6.64
		7.250	08/22	97-16	+6/32	7.46	7.35	7.60
ECU (French Govt)		8.500	03/02	92.8500	+0.050	9.67	9.56	9.43

London closing *New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Daimler enters MTN market with $2bn deal

By Andrew Fisher in Frankfurt

DAIMLER-Benz, Germany's largest industrial company, has entered the fast-growing Euro medium-term note market with a multi-currency programme of $2bn to provide more flexibility in the refinancing of its leasing and credit sales business.

The programme, to be signed today, is the largest yet arranged for a German company. It will enable Daimler, whose activities include vehicles and aerospace, to draw tranches for varying periods, at differing interest rates, in a variety of currencies.

Mr Paul Wick of Daimler's finance department said Debis, the group's financial services arm, had a yearly refinancing need of some DM8bn, likely to grow by about DM1bn a year. This mostly related to business in cars and trucks.

Debis's activities were growing in the US – where car leasing deals are a way of offering competitive prices in a tough market – Germany, France, Belgium and the Netherlands, Switzerland, Italy, Spain, and Japan. Newer markets included the Nordic area and Mexico.

The EMTN programme has been arranged by Deutsche Bank, with Merrill Lynch International as co-arranger.

Daimler will be able to draw on the programme in dollars, D-Marks – recently made possible by the Bundesbank's further liberalisation of the capital market – other leading European currencies, ECUs, and Canadian and Australian dollars. The programme will fit between its short-term commercial paper funds and its Eurobond borrowings, with tranches expected to run mainly for two to five years.

The funds can be drawn on by three group subsidiaries: Daimler-Benz International Finance in the Netherlands, Daimler-Benz North America Corporation in New York, and Daimler-Benz UK in London.

Latin American link-up

Leslie Crawford on plans for cross-border listings

The stock exchanges of Santiago and Buenos Aires are planning to introduce cross-border listings following a wave of Chilean investment in Argentina.

Both exchanges believe the time is ripe for closer integration. Chilean speculators have pumped more than $200m into the Buenos Aires Stock Exchange – Latin America's top performer last year. Nearly all of this has gone through unofficial channels to avoid the dreaded tax man.

In addition, many Chilean corporations are becoming household names across the border. Chile's cash-rich utilities have acquired several Argentine power companies that were privatised this year. Mr Pablo Yrrarazaval, chairman of the Santiago Stock Exchange, or Bolsa, believes it makes sense to allow Chile's budding multinationals to be quoted in Buenos Aires. Attracting Argentine companies to Santiago would also give the Bolsa more depth. Only 50 Chilean companies are actively traded on Chile's Bolsa, and the daily turnover rarely exceeds $14m. The average daily trading volume is six times higher in Buenos Aires.

As a first step, the two exchanges have signed an agreement to exchange information on the rules for listing and trading in both centres. Chile currently demands stricter rules on the disclosure of financial information of its publicly quoted companies. The Securities and Exchange Commissions of both countries are working to standardise auditing and accounting practices.

Mr Yrrarazaval is particularly worried about the different tax and foreign investment regimes that operate in both countries. "Argentina has the clear advantage: there are no capital gains tax or restrictions on capital repatriation," he explained. In Chile, foreign investors must wait between one and five years to repatriate capital and pay capital gains tax at a rate of 35 per cent.

Only one Chilean company is presently quoted on a foreign stock exchange. Compania de Telefonos de Chile (CTC), the telecommunications group controlled by Telefonica of Spain, has been listed on the New York Stock Exchange since 1990, where most of its shares are now traded. Demand on Wall Street and at home has more than trebled the price of CTC shares over two years.

Mr Yrrarazaval is pressing the finance ministry to abolish Chile's capital gains tax. He argues that Chile needs a stock market that can compete on an equal footing with other financial centres. The response so far has been negative. Mr Hugo Lavados, who heads the Chilean SEC, says: "We will not change Chile's tax regime just to enhance stock market competition." He supports the idea of cross-border listings, and believes the markets will set their own price levels to reflect the different tax burdens.

Another project in progress aims to link the smaller electronic exchanges of Latin America and Spain. The screen-based securities exchanges were set up in the late 1980s as rivals to the established stock exchanges in the region. They have grown rapidly. Santiago's electronic exchange now handles between a quarter and a third of all equity transactions.

Montevideo's electronic bourse has linked up with Barcelona to trade in Spanish treasury bills. They are working to standardise information, and the long-term goal is to have interactive trading between the bourses of Mexico, Sao Paulo, Montevideo, Buenos Aires, Santiago, Caracas, Lima, Madrid, Barcelona and Bilbao.

Poland hopes foreign banks will buy treasury bonds

POLAND, struggling to finance a weighty budget deficit, hopes foreign banks will start buying its three-year treasury bonds next month, once it has ironed out a technical hitch over the repatriation of interest, Reuter reports from Warsaw.

None of the foreign banks invited at the end of last month to bid for a 7,000bn zloty issue – the first of its kind – took part.

Ms Alicja Malecka, a finance ministry adviser seconded from the US Treasury, said the banks were put off because a foreign exchange permit was not ready.

"The banks were not sure they would be able to repatriate the interest," she said. The permit is now expected to come into force by mid-September, and this had raised "a lot of interest" from banks, mutual funds and individuals in the US, Britain, Austria and Switzerland, she said.

The annualised interest on the bonds, payable every three months, was set at 47.22 per cent for the first quarter.

Although this compares with an expected annual inflation rate of 40 per cent, the response has been modest.

By August 8, two thirds of the first tranche of one year bonds had been sold. Unsold bonds from the first tranche will be rolled into the next auction and public offer, at the beginning of November. The second tranche begins next week. The bonds carry interest equal to yearly inflation plus five per cent interest.

Firm demand for Japan Highway issue

By Tracy Corrigan and Angus Foster

A C$300m Eurobond offering yesterday for Japan Highway, the Japanese government-backed agency, ended the recent dearth of fixed-rate Canadian paper.

INTERNATIONAL BONDS

The deal met firm demand from Japanese accounts, as well as European investors in search of paper with coupons reflecting current interest rate levels. Older deals, with higher coupons, are now trading substantially above par, which discourages many investors.

The deal was considered rather aggressively priced to yield 36 basis points above the comparable Canadian government bond yield: similar AAA rated government-backed paper was trading as much as 10 basis points wider, although those issues are quoted at a premium. Lack of supply ensured firm demand, which withstood a declining Canadian government bond market.

Poor swap opportunities are likely to continue to limit supply in the sector, although other Japanese utilities are eyeing the market. Yesterday's deal was said to have been swapped into fixed-rate yen, but lead manager IBJ International declined to comment.

● BLENHEIM Group, the organiser of trade exhibitions, has joined the growing list of UK companies seeking longer term financing in the US with a $75m private placement. Blenheim Holdings, the company's US subsidiary, placed the senior notes, which mature in 1999, mainly with US insurance companies. The money will be used to repay short-term borrowings.

Several British companies, including Pilkington and United Newspapers, have tapped the US private placement market, where demand from yield-hungry US investors has allowed them to achieve attractive funding levels. Blenheim said the yield on its placement was "not dissimilar" from these deals, suggesting it is paying about 1.5 percentage points above US Treasury bond yields. Barclays de Zoete Wedd was agent for the placing.

Blenheim has net borrowings of £42m and Mr Neville Buch, executive chairman, said interest cover is between 7.5 per cent and 8 per cent.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on August 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					10.15
[illegible]					9.17
[illegible]					9.02
[illegible]					8.39
[illegible]					8.26
[illegible]					6.92
[illegible]					8.17
[illegible]					7.03
[illegible]					7.92
[illegible]					7.87
[illegible]					7.10
[illegible]					7.33
[illegible]					8.20
[illegible]					8.02
[illegible]					8.04
[illegible]					7.92
[illegible]					7.97
[illegible]					9.74
[illegible]					10.06
[illegible]					10.29
[illegible]					10.39
[illegible]					9.79
[illegible]					10.34
[illegible]					10.29
[illegible]					9.66

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					
DENMARK 7 95	40000	106⅛	106⅝		4.06
EIB 4 5/8 94	40000	102½	102¾		3.08
ELEC DE FRANCE 5 5/8 96	20000	104⅝	105⅛	+⅛	4.38
FINLAND 6 3/4 96	50000	106⅛	107		4.65
INTER AMER DEV 7 1/4 00	30000	112⅛	112½	+⅛	5.27
KANSAI ELEC PWR 4 5/8 94	60000	101	101¼		3.98
NIPPON TEL & TEL 5 7/8 96	50000	104½	104⅞		4.64
NORWAY 5 1/8 95	50000	102⅝	102⅞		4.13
SNCF 6 3/4 00	30000	109⅝	110		5.17
SWEDEN 5 5/8 95	20000	103½	104		4.38
WORLD BANK 6 3/4 00	50000	110⅛	110½	+⅛	5.08

FLOATING RATE NOTES	Spread	Bid	Offer	C.cpn
[illegible]				

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
[illegible]					
MITSUI BANK 2 5/8 03	200	2332.6	68¾	70¼	+31.18
MOUNT ISA FIN 6 1/2 97	100	2.283	98¾	99¾	+17.60
OGDEN 6 02	85	39.077	85¾	86¾	+71.09
SEGA ENTERPRISES 3 1/2 96	200	13018	97⅝	98⅝	+45.55
SMITH & NEPHEW 4 02 £	90	1.775	125¼	126¼	+74.37
SUMITOMO BANK 3 1/8 04	300	3606.9	65¼	66⅜	+33.88
TEXAS INSTRUMENTS 2 3/4 02	300	82½	94½	95⅝	
THORN EMI 5 3/4 04 £	103	7.16	120¼	121¼	+25.20

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn =The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem =Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	65	11
Other Fixed Interest	0	12	3
Commercial, Industrial	167	314	956
Financial & Property	122	98	581
Oil & Gas	14	12	60
Plantations	0	0	9
Mines	27	22	100
Others	34	36	50
Totals	364	559	1,770

LONDON RECENT ISSUES

EQUITIES

Issue price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

... Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ■ Units comprising 4 Ords and 7 Zero Div. Prefs. and 4 Stepped Pref shares.

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-
[illegible]							

TRADITIONAL OPTIONS

● First Dealings Aug. 17
● Last Dealings Aug. 28
● Last Declarations Nov. 12
● For settlement Nov. 23

3-month call rate indications are also shown on this page.

Calls in Allied Leisure, Euro Disney, First Natl. Finance, Gestetner, Medeva, News Intl., Queens Moat Hses. and Royal Insce. Double (Put and call) in Costain.

LIFFE EQUITY OPTIONS

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Alld Lyons (*555)	500	65	75	85	5	10	13
	550	29	43	52	19	27	31
	600	8½	21	32	52	56	61
[illegible]							

Option		CALLS Nov	Feb	May	PUTS Nov	Feb	May
BAA (*644)	600	69	80	95	10	16	22
	650	35	50	65	26	37	42
	700	19	28	41	62	67	72
[illegible]							
Dixons (*191)	180	16	27	33	4	8	13
	200	4½	16	21	12	18	22

Option		CALLS Sep	Dec	Mar	PUTS Sep	Dec	Mar
Eurotunnel (*352)	330	35	55	68	9	23	30
	360	16	37	52	26	38	45
[illegible]							

Option		CALLS Nov	Feb	May	PUTS Nov	Feb	May
Brit Aero (*201)	180	42	48	52	17	22	26
	200	27	38	40	30	33	37
	220	20	27	29	38	45	52

FT-SE Index Calls 4,606 Puts 5,540
Euro FT-SE Calls 1,007 Puts 4,036
*Underlying security price. ‡ Long dated expiry months. Premiums shown are based on closing offer prices.

TRADITIONAL OPTION 3-month call rates

INDUSTRIALS	p								
Allied-Lyons	49	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Amstrad	6	Comm Union	34	Legal & Gen	29	SmKl Bchm A	60	Aviva Pet	25
Astec (BSR)	3	Courtaulds	43	Lex Service	22	TI	55	BP	18
BAT Inds	58	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BOC	53	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BTR	35	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
Barclays	29	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Blue Circle	24	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Boots	34	Gen Accident	38	NatWest Bank	28	Vickers	15	Tuskar Res	½
Bowater	60	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Brit Aerospace	28	Glaxo	82	Racal Elect	5½	■ PROPERTY		RTZ	47
British Steel	7	Grand Met	38	RHM	18	Brit Land	18		
BT	25	GRE	13	Rank Org	55	Land Sec.	30		
Cadburys	38	Hanson	18	Ratners	3	MEPC	26		
		ICI	95	Reed Intl	44				

هكذا من الأصل

INTERNATIONAL COMPANY NEWS

Rupert Murdoch: Down and up in Beverly Hills

Two years ago, a financial crisis nearly wrecked his company. Now, he has rarely been so content. **Raymond Snoddy** reports.

IN HIS cool cream office halfway along the executive corridor at Twentieth Century Fox's studios Rupert Murdoch is, for the moment, completely absorbed and happy. The overnight television network ratings have just come in and everything else stops while the chairman and chief executive of News Corporation works out how Fox – his network – has done.

Good news. Fox has done well against the other three networks with 17 per cent of the national audience. Its Wednesday evening shows – Beverly Hills 90210, a high school drama, and Melrose Place, a series about 20-somethings in a trendy area of Los Angles – have beaten the competition.

"It's so exciting. It's so much fun," says Mr Murdoch. At 61, he looks back on nearly forty years of media competition. None the less, he sounds as exhilarated as a young television producer with his first hit.

Six months ago, he took on the chairman's job at Twentieth Century Fox. After starting as a newspaper publisher in Adelaide, moving to London, emigrating to New York and taking American citizenship, Mr Murdoch has now come to rest in Los Angeles.

Every morning he drives himself to work in a green Mercedes convertible from his home in Beverly Hills, a house once owned by Jules Stein, founder of MCA. By 6.30, he is sitting at his desk at the studio where films such as The Sound of Music and Miracle on 34th Street were made. His morning starts with several hours of telephone calls to London and other parts of the News Corp empire. Then he absorbs himself in the nuts and bolts of his latest challenge – films.

Rupert Murdoch is well and happy and living in Los Angeles. But above all else, he has survived.

In the autumn of 1990, News Corp was almost overwhelmed by its debts of more than US$7.6bn. Nearly 150 banks had to be persuaded to roll over the debt and come up with a new US$600m loan. Yesterday came the firmest evidence so far, not only that News Corp has survived but that it is bouncing back: it reported a 65 per cent increase in net profit to A$531m (US$379.20m) for the year to the end of June.

The restructuring was a long and tortuous process. Every bank had to be kept in the deal or it could all have started to unravel. At one point, the negotiations hung fire because the head of an Indian bank had gone off on a tiger shoot. At another, only a midnight call from Mr Murdoch – and a promise to stump up his personal wealth if necessary – persuaded a bank chairman to stay in the consortium.

It is unlikely that Mr Murdoch will forget the experience, or the mistakes that made it necessary.

Curled up in a cream armchair in his office, surrounded by abstract paintings, he talks in a matter-of-fact way about what he got wrong. "We just got caught running when we should have been walking and that was a sufficiently unpleasant experience to make you swear you are not going to let it happen to you again," he says.

"If I had been more perceptive a year earlier we would have spent less money on Sky [the UK satellite television venture]. Maybe we would have given it one less channel and phased it in more slowly."

Spending A$1bn on re-equipping the group's four Australian newspaper printing plants at once when only one was urgent was a clear mistake, he says. "With hindsight we could also have taken precautionary measures before you had the cash tightening when [lending from] the short-term money market disappeared," he adds.

News Corp had been taking advantage of the lower interest rates available on short-term borrowings. But once international banks started to get jittery about the scale of their debt exposure there was a certain slow-motion inevitability about the News Corp crisis. The capital commitments had been made and the loans – typically for two to three years – were maturing. There simply wasn't the money to pay them off.

Despite the scale of the problem, Mr Murdoch says he never believed his empire was in terminal danger.

"It wasn't as if we were faced with all the tenants leaving. Our readers hadn't left us, our advertisers hadn't left us. We were still trading and capable of cutting costs to improve profits," he says.

One of his leading lenders concurs: "Most companies that were forced to restructure their debts got into trouble because the trading conditions of their businesses deteriorated or there was a major economic event that turned the face of their business," he says.

"Murdoch wasn't like that. Most of his businesses were doing all right. He had overinvested in businesses for which he paid too much, and he was funding everything in the short-term markets. It was his funding strategy that caught him with his pants down."

Mr Murdoch helped to ease the crisis by reacting swiftly, says the banker: "Murdoch is an arrogant bugger, but he wasn't so arrogant that he didn't know when he was in trouble."

This view, shared by other lenders, helped to ease the financial restructuring. And a media company also has some very glamorous products with which to impress bankers with when times get tough. In November 1990, Joe Roth, president of the film division of Twentieth Century Fox, put on a tie and joined the international News Corp road show. He showed the bankers a few clips from his latest movie – a modestly priced $18m picture due to open in a week's time. The bankers laughed in all the right places and Mr Roth told them he had a hunch this picture could maybe make $75m.

The boss was taken aback, says Mr Roth. "Rupert said to me afterwards: 'How could you say that. This is a tiny little comedy. These are bankers!'." Mr Roth had the last laugh: the tiny comedy, Home Alone, grossed $507m at the cinema box office – $1bn when video and television deals are included.

Spurred on by such hopes, the last bank signed on January 31, 1991. The restructuring was at last over – but, says Mr Murdoch, that was just the beginning. The debt burden – now bigger – had only been rolled over. The day of reckoning had merely been postponed.

Revenues were falling everywhere. News Corp had to pay its banks' fees, along with the extra 1 per cent on interest rates they had insisted on. True, underlying interest rates were falling, and so was the price of the company's most important raw material, newsprint. But overall the company faced a difficult future: the first $2.4bn of debt was due in February 1994.

"Our shares had been battered down to A$3.80 [they are now A$23.50] and they were still shorting us. We had to build back credibility quarter by quarter. We had to take in some equity at pretty humiliating prices and sell some assets we didn't like to sell," Mr Murdoch says. It was time for the serious work to begin. This took two forms – selling assets and cutting costs.

Disposals had begun before the agreement with the banks was finally reached. They included getting rid of the Delux film laboratories at Fox and selling a paper mill in the UK. But that was not enough. A more central asset would have to go.

Mr Murdoch says he gritted his teeth and accepted that he would have to do whatever it took to survive.

"We looked at every asset," he says, asking "'What can we miss least? What can we replace easiest when times turn?' The answer was the smaller magazines."

In May 1991, New York magazine, Seventeen and six other Murdoch magazines were sold to K-III Holdings, a company controlled by the leveraged buyout firm Kohlberg Kravis Roberts in a deal worth $650m. A 55 per cent stake in Mr Murdoch's Australian magazine and printing operations raised another $575m. Selling equity – reducing the Murdoch family interest in News Corp to around 40 per cent – and issuing some long term debt brought in an additional $600m.

The second arm of the strategy was more gradual: managing the company hard, cutting costs to get profit margins up.

This task fell to Mr Gus Fischer, a spare, thoughtful Swiss-German, who met Rupert Murdoch when the company he ran supplied photographic printing plates to News Corp newspapers.

He became managing director of News International, and in January 1991 also became chief operating officer of News Corp with special responsibility for cutting costs in the UK and the US.

Last year News International's total revenues rose by 1 per cent; operating profits rose by 27 per cent. Over 18 months the newspaper division's costs have been cut by £40m a year. Layers of managers and supervisors have been removed. In 1990, News International's five UK national newspapers had 3,755 employees; now they have 2,924. Mr Fischer says: "There is no magic formula. It means hard work and working with people."

Savings have been made everywhere from newspaper distribution to debt collection from people who hadn't paid for their personal classified advertisments. There was a department to chase non-payers, and a debt collection agency with payments linked to the number of letters sent out. Overall, says Mr Fischer, collecting for unpaid classified ads was costing News International around £400,000 for every £500,000 recovered. So now he has changed the rules. Personal classified ads are paid for by credit card in advance, and there is no debt collection problem.

An average of 10 per cent savings has already been achieved across the group with more to come. Mr Fischer is now turning his gaze to the US, starting with the remaining News Corp magazines, especially TV Guide, the television listings magazine. The process will probably be complete by the end of next year.

"Then, like painting the Forth Bridge, it will be time to start again. There are always costs to come out," Mr Fischer says.

The results for the first six weeks of News Corp's new financial year show operating profit up 17 per cent on budget and 44 per cent up on the same period last year even though there is little sign of a lessening of recession in the company's main markets.

Mr Dave DeVoe, News Corp's finance director based in New York, says that margins in the UK have increased from 14 to 20 per cent. Margins have also been improving in Australia and in the US, he says. The ratio of debt to operating cash flow, currently five, is heading south, he says. At the start of the 1992 financial year interest will be covered twice over by earnings, but 1993 will see a sharp improvement, to something like two-and-three-quarters.

Tight management is not the only factor behind these gains. Another is Mr Murdoch's luck, consistently good throughout his career. Arguably, he was lucky that his refinancing crisis came to a head when it did. By late 1990, bankers were already worried enough about collapsing businesses to want to ensure News Corp stayed afloat, but they had not yet had to face the crises at other heavily indebted firms such as Olympia & York.

Another piece of luck was the path of interest rates. Two years ago, US interest rates were running at about 9 per cent; now they are around 4 per cent. News Corp has benefited greatly; in the last financial year, for example, falling interest rates have cut its debt service costs by 20 per cent.

And luck sometimes works both ways, says one of Mr Murdoch's bankers: "Yes, he's been lucky with falling interest rates. On the other hand, he's not been lucky in the sense that his three key markets – the US, the UK and Australia – have been very slow in coming out of recession."

Perhaps for this reason, in Los Angeles Rupert Murdoch is still exhibiting some of the caution of the recently burned. "Worldwide we are in relatively better shape," he says carefully. "We are getting our strongest growth in television and the movie company is going well."

Despite his relative caution, it is clear that the terms of his probation from the banks are beginning to chafe.

There is a considerable way to go before reaching his hope of investment-grade rating : News Corp debt is currently rated B1 by Moody's, four notches below investment grade; and Standard & Poor's rates the group's subordinated debt at B, five notches below investment grade.

With a bit more freedom of action, Mr Murdoch's traditional enthusiasm for acquisitions would be likely to reassert itself. "If we were in an acquiring mood we would look at improving distribution for the Fox television network," he says, "which means buying another two or three stations."

Reporting by Raymond Snoddy in Los Angeles, Stephen Fidler and Gary Mead in London, Kevin Brown in Sydney and Patrick Harverson in New York

In spite of an easier financial situation, recent months have not been entirely trouble-free. Super Zeitung, a daily newspaper set up in what was East Germany as a joint venture with Burda, the west German publisher, collapsed messily. Mr Murdoch pulled out, mostly because he could not get managerial control of the operation and its costs. Thereafter, Burda closed it down. The project had attracted a great deal of attention, partly because of the extravagant hopes invested in it by its backers, partly because it carried more nude photographs than the Sun, the UK's racy tabloid, could ever dream of.

Though defunct, Super Zeitung is a reminder that News Corp is not quite the staid, predictable business its bankers might wish it to be. Another reminder of the group's occasional oddities was a curious incident at a conference of News Corp executives in June. Wishing to make a point about censorship, Mr Stephen Chao, the newly appointed president of the seven Fox television stations, brought on a male stripper during his speech. The audience, which included US Defence Secretary Dick Cheney and his wife, was not amused. Mr Chao was fired on the spot. "There are limits," is Mr Murdoch's only comment on the affair now.

He is more forthcoming talking his way through the prospects for the company's main areas of business:

● **US Television.** Fox now broadcasts 12 hours a week in prime time five days a week. Mr Murdoch claims it will soon be the leading network among 18-49 year olds, its target audience. It plans to go to six days a week in the autumn and possibly seven next year. But to avoid Federal Communications Commission rules that prevent networks exploiting their own production Fox has to stay below 15 hours a week in prime time – the threshold for full network status and the restrictions that go with it.

Next year's task is to set up a Fox news service, to challenge Ted Turner's Cable News Network, currently used as a supplementary news source by many independent US television stations. Mr Jamie Kellner, president of Fox Broadcasting, says the challenge is to attract younger people to the news. "News skews quite old," he says, in broadcaster's shorthand – meaning that viewers of existing news programmes are older than the audience as a whole. "That's the Fox opportunity to break the mould and do it differently as we have done with the rest of our programmes."

● **Sky Television.** Sky is operated by British Sky Broadcasting, a consortium in which News Corp owns 50 per cent and Pearson, owner of the Financial Times, has a significant stake. It is expected to make operating profits of around £50m in the year to June 1993, though overall the operation is still losing money because of the heavy debt to its owners incurred in its early years. "I think the breakout is just beginning," says Mr Murdoch, "but of course there will be competitors." As the audience grows, however, "new players will widen the universe and that is bound to lead to very big profits".

Sky is planning to launch a third film channel this autumn to replace the Comedy channel which has not been a success. The new channel will be mainly based on the films of the 1970s and 1980s and will probably be offered free to those already subscribing to both existing film channels.

At the moment Sky says there are 2.4m-2.5m satellite dish owners, with 1.3m movie channel subscribers. Media buyers, who buy television time for advertising agencies, are generally impressed with Sky's performance. It currently reaches 14 per cent of UK homes, says one top media buyer, with the figure likely to rise to 23 per cent by the end of 1993 – but it costs only one-tenth the price of advertising on UK terrestrial television. "The only worry we have is that by pushing more towards subscription-only channels BSkyB might turn some people off," the buyer says.

● **News International.** Of the five UK national newspapers, says Mr Murdoch, three are strong market leaders (Sunday Times, Sun and News of The World); the other two are doing better. Today is now profitable on a marginal cost basis, he says, and The Times is breaking even overall. New York analysts are impressed with News Corp's performance in the UK last year, given the weakness of the local economy. One possible constraint on the future is a rising chorus of complaints about press concentration. Mr Murdoch hinted at the frustration this imposes: "We now have a strong balance sheet and strong earnings growth. The question is how do we use that competitive advantage without being accused of having monopoly power by ignoramuses."

● **Australia.** Four times a year, a News Corp executive in New York feeds the company's quarterly results into a facsimile machine for transmission to the Australian Stock Exchange. It is a ritual that maintains News Corp's historical relationship with Australia, but some Australians are beginning to wonder how long the relationship will last.

The Australian businesses are in good shape, says Mr Murdoch, and getting their share of revenue in an economy seriously hit by recession. And though Australia is becoming less important to Mr Murdoch, he remains of immense importance to Australia, controlling between 60 per cent and 70 per cent of daily newspaper circulation.

Mr Murdoch says the Australian businesses will remain part of News Corp: "Every company has to have its traditions and its roots," he says. Those traditions include News Corp's enthusiastic use of Australia's relaxed tax legislation, which has allowed the group to minimise its tax bill through the use of offshore tax havens. The Australian government has threatened to tighten the rules, but few commentators expect News Corp to be significantly affected. "If it was going to make an enormous amount of difference News Corp would simply move its domicile offshore," says Mr Mr Alex Pollak, media analyst at Sydney's Macquarie Bank.

One activity in Australia to which Mr Murdoch's commitment has weakened is the airline business, described as News Corp's big problem area by one close follower of the group. In the medium term, says Mr Murdoch, News Corp will drop out of its 50 per cent stake in Ansett Transport Industries, the domestic Australian airline, and its stake in Ansett Worldwide Aviation Services, the aircraft leasing company.

The leasing activities would be the first to go. "They have been a source of profit when we needed it, but they do not fit a media company," says Mr Murdoch. This is not the best time to get a good price for an aircraft leasing business, however, with the industry plagued by world-wide overcapacity.

The main Ansett stake is also to be sold, but not yet. The company has won the right to apply for international routes and a bumpy period of de-regulation lies ahead. But the intention is to sell the stake within two or three years. A third party – perhaps an international airline – could be brought in before then.

● **Magazines.** Mr Murdoch says he is happy with the progress at TV Guide, though he has previously admitted to paying too much – far too much, say analysts – for the magazine and its handful of sister publications. Circulation, once 18m, is now under 15m, because of increasing competition from newspaper listings sections. Mr Murdoch seems determined to return to the wider magazine business eventually, but it is too early to say whether it will be from acquisition, launches or a mixture of both.

● **Twentieth Century Fox.** As Mr Murdoch talks, outside in the sprawling studio Sean Connery is hard at work on The Rising Sun, a $40m thriller set against a background of total Japanese economic domination of the US. He has high hopes for it; but the studio has had a thin summer. A $20m film, Prelude To A Kiss, passed without notice, and a new release, Buffy and the Vampire Slayer, is not setting the world alight. The autumn and winter should be better, however. The studio's upcoming films are Home Alone II: Alone in New York (it will cost $40m this time, because sequels are always more expensive Mr Murdoch says); Hoffa, the story of the missing Teamsters union boss, starring Jack Nicholson; Toys, with Robert Williams; and Last of the Mohicans, starring Daniel Day Lewis. Sean Connery and The Rising Sun will follow.

Fox has ramped up its production from about eight films a year to more than 20 and has been bringing the average cost down. Joe Roth says that every year the studio makes pictures for a few million dollars less on average. This is done by choosing less star-driven vehicles; and by being careful about action films – blowing things up costs money. Last year Fox's average cost for a film negative – before the costs of promotion and distribution – was $23m. This year it is $21m compared with an industry average of $26m-$28m.

Mr Murdoch says that one of the things you have to do at a film company is say no to people who want to spend money. "I'm accused of being a gambler, but you like to know some of the odds. You also like to know what your bet is. You don't like to bet $40m and find you've bet $60m," he says.

Mr Roth thinks Rupert Murdoch will stay in Los Angeles running Twentieth Century Fox as long as it stays a challenge. "At most he's at mid-point on the curve," he says. Mr Roth still decides what films the studio makes, but he has started feeding Rupert Murdoch scripts as part of the educational process.

"Rupert will end up shaping this as any owner would – not so much by his taste as by his dis-taste," Mr Roth says.

It is already starting to happen. Mr Murdoch is clearly discouraging the studio from making certain kinds of films: the very expensive, very violent sort.

He says he would not have made the film Basic Instinct – "It has no redeeming qualities at all, no one you wanted to like" – even though he knew it would probably be a success. By contrast, he talks enthusiastically about a Clint Eastwood film he saw a few evenings before – a bit too much killing maybe but a very satisfying film; terrific cinematography; a bit slow moving but very well acted.

Will Rupert Murdoch ever become an archetypal Hollywood studio boss? "No," he says: "I'm just getting into it too late in life to learn all the tricks. But you can apply some issues of taste, some issues of economics."

As he talks it is clear that he is as content, both professionally and personally, as perhaps he has ever been. Los Angeles reminds him of home in Melbourne. "I'm even buying a sailboat I used to sail in Australia but I was too mean to buy a boat in London for the three week summer. It's a return to the Pacific, if you like. My garden is full of gum trees and eucalyptuses and its an open new society in the way that a lot of Australian cities are."

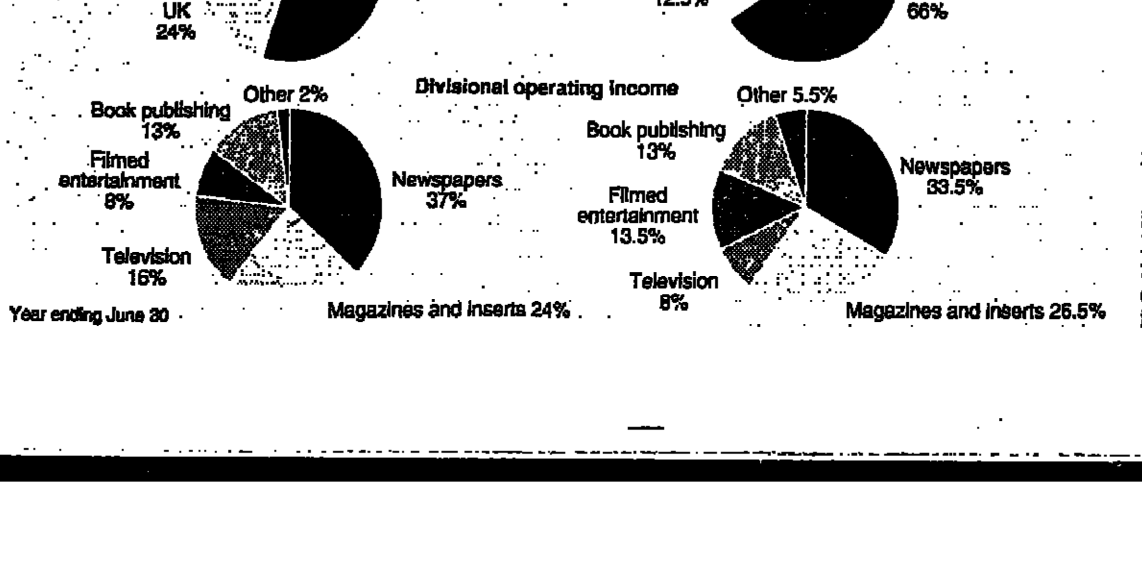
"The things that would get me out of here [Los Angeles] are never going to happen," he says – though he does not write them off without a note of wistfulness. "If the Washington Post were to be up for sale . . ." he says, before adding quickly: "but there's not a one-hundredth of a per cent chance."

What if Rupert Murdoch were to fall under a bus? Three years ago he nominated Andrew Knight, executive chairman of News International and former editor of The Economist as his chosen successor for the interregnum if he died before his children were old enough to take over. "I have nothing to add to that or to alter it in any way except that the children are older," says Mr Murdoch.

His daughter Elizabeth is working as a programme manager at KTTV, the Fox station in Los Angeles. James who is about to go to Harvard is working on the set of The Rising Sun, and Lachlan, who is at Princeton, is interested in journalism. "They are going to have to prove themselves but they are going to be lucky and have that opportunity," says Mr Murdoch.

Then he jumps up to show the visitor his "war room", a neighbouring office with an enormous wall-chart, a jigsaw of the television week. Each network has pieces of a different colour and there is a piece for each show.

Once, the room was used by a former studio boss for afternoon assignations with actresses. Now, Rupert Murdoch moves the pale blue Fox network pieces around his jigsaw, trying to make Thursday night as successful as Wednesdays.



Midland encouraged to lift small business lending

By Robert Peston

MIDLAND BANK will be encouraged to increase its lending to small businesses, a senior executive of Hongkong and Shanghai Banking Corporation , its new owner, said yesterday.

The plan is to alter Midland's lending practices so that managers place less emphasis on a potential borrower's collateral before deciding whether to make a loan.

UK banks have in recent years been forcing small business borrowers to mortgage both their business assets and private assets as a condition of making a loan.

Instead Midland managers will take more account of a business's financial projections in deciding whether to make a loan and will not insist that a loan is backed 100 per cent by collateral.

Such a change would be welcomed by the small business lobby.

There is no intention of encouraging Midland to exploit Hongkong Bank's strong balance sheet by lending at a rapid rate.

On the other hand, Hongkong Bank wants to reverse the trend of the past 18 months during which Midland has reduced the volume of loans on its balance sheet.

"We did not buy Midland in order to see it continue shrinking," the executive said.

Separately, Mr William Purves, Hongkong Bank's chairman, said that the parent company's main office would be moving to 10 Lower Thames Street in the City of London.

The building on the north bank of the Thames is also occupied by Samuel Montagu, Midland's merchant bank.

A number of trading operations are leaving the address, creating space for the parent company's offices. However, most of Samuel Montagu's staff will remain there.

Mr Purves said the move was a sign of his intention to give Midland's top management considerable independence, since he would not be occupying Midland's architecturally noted head office at Poultry, also in the City.

Meanwhile it emerged that Hongkong Bank's commitment to reduce the ratio of Midland's costs to its income was a long-term aim. Over the next four to five years, it wants this ratio to fall from its present level of just over 70 per cent (excluding the Thomas Cook travel business) to 60 per cent.

Hongkong Bank is keen not to create concern among Midland's employees that draconian redundancies are in the offing.

A Hongkong Bank executive also said that the bank may have to make a further loan loss provision against its $768m (£386m) exposure to Olympia & York, the Canadian property developer which has sought bankruptcy protection.

On Tuesday, the bank disclosed that it had made a $188m provision against the O&Y loan.

If the value of the security held against this loan does not rise, the bank could be forced to make a further provision of similar size at the end of the current year.

Buoyant retail side behind WH Smith rise 27% to £113m

By Maggie Urry

SIR SIMON Hornby, chairman of WH Smith Group, said he was not expecting any cyclical recovery in the company's retail markets in the current financial year.

However, he said the pace of benefits from Smith's pursuit of scale economies and systems was increasing.

Sir Simon was reporting on results for the year to end-May which showed a 27 per cent jump in pre-tax profits to £112.7m.

Despite the recession, the group's retail chains – which sell newspapers, books, stationery, recorded music and videos – increased sales by 10.8 per cent to £1.3bn, while sales of its distribution activities – news, office supplies and books – rose 8.1 per cent to £905.9m.

Sales in its DIY joint venture fell from £214.2m to £209.8m.

Sir Simon said the group had increased market share in virtually all its retail businesses.

He said the recent reference to the Monopolies and Mergers Commission of the newspaper distribution industry would not cover magazines, which was the growth area of the market. Smith's magazine sales rose 10 per cent in the year.

The MMC would look at the relationship between newspaper publishers and wholesalers for the first time.

Although the office supplies market was down 9 per cent Smith's sales were up 10 per cent.

Sir Simon said this business would become "a major cash producer" and had won 67 new accounts worth £12m a year. A new distribution centre was being built.

A rights issue last year and sales of peripheral businesses had prompted a £146.7m fall in net borrowings to £85.2m – 20 per cent of shareholders' funds of £435.4m, up £185.6m. Interest charges were down from £28.2m to £3.4m.

Profits also benefited from a £9.2m pension credit. However, this was down from £11.2m the year before and Mr John Napier, finance director, said the credit could be expected to dwindle over the next few years.

Sir Simon said that capital expenditure of £67m had been financed from internal resources and spending of £65m in the current year would be too.

See Lex

Scottish Value Trust seeks to raise £14m

By Philip Coggan, Personal Finance Editor

SCOTTISH VALUE Trust, the investment trust which was formed in a revamp of the shell company Bremner, is raising £14.2m via a placing and open offer.

The trust acts as an arbitrageur in the investment trust sector. It buys shares in trusts which are standing at a discount to their net asset values and where there is a potential for gain as a result of a reorganisation or change in investment policy.

Scottish Value achieved a net asset value total return (including reinvested dividends) of 31.1 per cent in the year to July 31, compared with a 4.9 per cent fall in the FT-A All-Share Index over the same period. The trust's shares were trading at a 4 per cent premium to asset value before trading opened yesterday. Normally, only trusts which trade at a premium can raise extra capital. The share offer has an unusual structure. Existing shareholders are being offered units at 100p each on the basis of 15 units for every 24 existing shares.

These units will entitle investors to receive shares at a price to be determined later, but which will effectively be equal to the prevailing net asset value. To the extent that shares are not taken up by existing holders, they will be placed with institutions.

The trust also declared a second interim dividend of 1p, payable on October 16. The new shares will not be entitled to receive the dividend and the trust will not pay any further dividends in respect of the current financial year to September 30.

The shares closed last night down 1p at 59½p.

W Canning sale

W Canning has sold its 90 per cent stake in LJ Specialities to C Itoh for £1.35m cash plus repayment of £190,000 borrowings. Proceeds are to be used to reduce group borrowings.

Substituting new lives for old

Philip Coggan looks at the restructuring trend of split capital trusts

"YOU NEVER give me your money, you only give me your funny paper".

Shareholders in split capital investment trusts may be tempted to hum that Beatles refrain at the moment as they contemplate the spate of restructurings in the sector.

Instead of being wound up at the agreed date – with the proceeds returned to shareholders – trusts are prolonging their lives, with new securities being substituted for old.

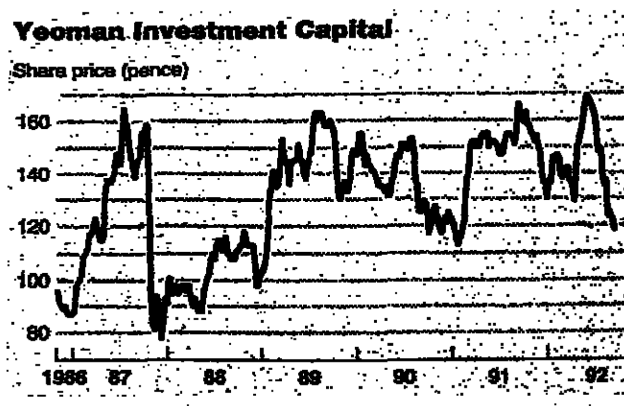
The trend raises the question of whose interest is really being served by these restructurings. It is obviously to the advantage of the managers that the trust continues to exist, since they will continue to receive their annual fee. Paid members of the board have a clear interest in a continuing salary. But what about the shareholders?

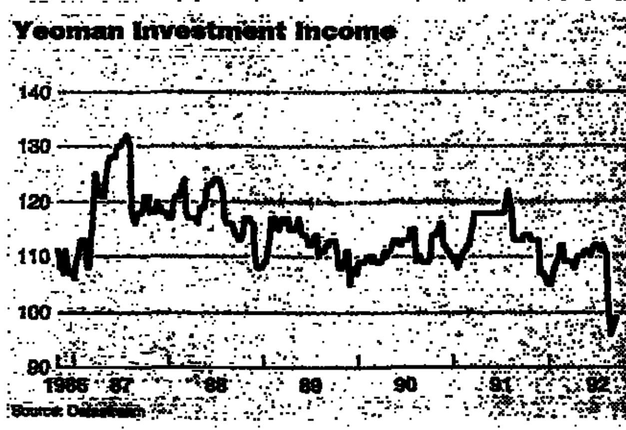
The issue has been brought into focus by the failed attempt to restructure Yeoman Investment Trust. Yeoman scrapped its proposals yesterday when two institutional shareholders with 48 per cent of the income shares decided to vote against the deal.

Split capital trusts were devised by the investment trust sector as a means of increasing their investor appeal. Conventional investment trusts have just one class of share, offering investors a mix of income and capital growth.

By splitting a trust, the managers can more closely target investor needs. Early splits created two classes of shares. One received all the trust's income – and so could offer a high dividend yield which appealed to retired, income-seeking investors. Another was entitled to all the capital growth achieved by the trust, after the income shares were repaid – and so appealed to higher rate taxpayers who wanted to use up their capital gains tax allowance.

More sophisticated structures have been developed, involving zero coupon preference shares, which pay no dividends but have a set future repayment value. Returns made on these shares are taxed as capital gains, not as income – giving attractive tax advantages to many investors.





Source: Datastream

Split capital structures also deal with a perennial problem of the investment trust sector – the discount. Shares in conventional investment trusts normally trade at a discount to their net asset values – generally acknowledged to a function of limited investor demand for the shares.

The tax advantages of splits create additional investor demand. Furthermore, split capital trusts have a limited lifespan – and thus investors know that the trust will eventually be repaid at asset value. These two factors limit the discount – and indeed enable many split trusts to trade at a premium to their asset values.

But the prospect of trust restructurings may create problems for some private investors. Suppose you had built an investment plan on the basis of an expected trust wind-up date. You could have bought, say, an annuity and a zero coupon share with the same maturity date. The annuity pays an income stream during its life but has no value on maturity; however, at that point, the zero is redeemed and replaces the original capital invested in the annuity. Such a neat scheme might be ruined if the trust is not wound up.

However, it would be wrong to suggest that a restructuring will necessarily be bad news for investors. After a number of years of dividend growth, an income share will probably be paying a very high yield – which the private investor might find impossible to match elsewhere. "In most cases, it is in the interest of income shareholders to perpetuate the income stream", according to Mr Lewis Aaron, an investment trust analyst at Warburg Securities.

And Mr David Thomas, of Greig Middleton, the broker which has been behind several recent restructurings such as Fulcrum and St David's, points out that restructurings have to be approved by 75 per cent of shareholders – a built-in safeguard. Shareholders are hardly likely to approve of deals which leave them worse off.

Nor does Mr Thomas see any problems with the idea of restructurings. He argues that one simply needs to look at these trusts on a discounted cash flow basis. If interest rates are 10 per cent, then it should make no difference to a shareholder whether he is offered 110p next year or 100p today.

There are difficulties, however, in restructuring a trust so that shareholders in all classes of shares are getting a good deal. Restructurings can accordingly be complex affairs, leaving the average private investor bewildered by the deal on offer.

In the case of Yeoman, for example, the capital shares were to be replaced by zero dividend preference shares and the repayment value of the income shares – 100p this year – was to be reduced to 50p in 1999.

One small shareholder wrote to the Financial Times: "The value of the income shares is to be reduced by 50p, said to be recovered by enhanced income at each pay-out. Yet this is to cover a period when it is likely that dividends will remain low . . .Are we being made fools of?"

Much the same point was made by Orion Insurance, an institutional shareholder with 24 per cent of the income shares. When it said it would vote against the proposal, Yeoman offered to place its shares in the market. Yeoman yesterday blamed "adverse market conditions" for its failure to do that. It now looks highly likely Yeoman will be wound up when its life expires.

Such problems can probably be avoided in future if shareholders can be offered money, instead of "funny paper".

Warburg Securities' Mr Aaron says "these deals need to be structured so there is a cash exit for all classes of shareholders."

M&G takes a similar view. Offering cash means that all shareholders can be satisfied: those who want the trust to continue and those who do not. Perhaps the fatal flaw in the Yeoman deal was that the income shareholders were not offered a cash alternative.

Given the number of split capital launches over the last few years, Yeoman's failure to win shareholder approval could be a useful lesson for trust managers planning restructuring deals in the future.

Henlys claims low acceptance

By Maggie Urry

HENLYS GROUP, the motor trader and bus and coach builder which is fighting a hostile bid from T Cowie, claimed that Cowie had won acceptances from holders of only 1 per cent of its shares.

Henlys had served Section 212 notices, which are intended to discover the beneficial owners of shares, on Monday and received a reply on Tuesday which said that 387,000 shares had accepted the offer.

Mr David Matthews, former chairman and chief executive of Henlys, has said that he will accept the bid for his 7 per cent stake.

On Tuesday afternoon Cowie bought 1.14m shares in the market at 73p, equivalent to 3 per cent of Henlys shares. Sellers included Mercury Asset Management, which sold 300,000 shares, Universities Superannuation Scheme, selling 250,000, and Eagle Star Insurance and Scottish Equitable, which each sold 100,000.

The final closing date for the bid is Tuesday. The share prices of the two companies were unchanged yesterday. With Cowie at 120p its all-paper bid is worth 84p a share or £31.8m for the company, while the partial cash bid values Henlys at 80p a share or £30.3m.

Henlys share price remains well below those levels at 65p.

Panel concerned about Trimoco's Hartwell claim

By Jane Fuller

The Takeover Panel yesterday showed some concern over a point made by Trimoco, the motor trader, in its defence against a £25.9m hostile bid from Hartwell.

Mr Roger Smith, Trimoco's chairman, recounted in the defence document how two Hartwell executives had been invited on to Trimoco's board early this year on the basis that Hartwell's parent, the Saudi Arabian Jameel group, would reduce its stake in the company, which then stood at 23.5 per cent.

The Jameel stake has since been increased to 38.4 per cent, with the help of loan stock conversion.

The Panel yesterday raised questions about Trimoco's suggestion that the bidder had gone back on an agreement and the way this had been reported in newspaper articles.

Mr John Wei, chairman and chief executive of Hartwell and one of the two who spent a few months on Trimoco's board, has denied that there was any such agreement.

It is understood that Hartwell has spoken to the Panel about statements made in Trimoco's defence.

Wentworth warning on dividend payment

By Peter Pearse

WENTWORTH International Group said yesterday that it was unlikely it would be able to pay a dividend for the year to March 31. Last time it paid 0.1p.

Mr Robert Gill, chief executive and acting chairman of the USM-quoted plastic packaging products group, said the board was examining past accounting practices which he described as "sharp" and "at the cutting edge". He expected that "material" provisions would have to be made.

He cited Mr Terry Smith's book Accounting for Growth, and said that the board was looking at areas such as the capitalisation of interest, fair value accounting, the charging of consultancy fees to acquisition targets and the capitalisation of acquisition costs.

Mr Gill said Wentworth would not score nought out of 12 against Mr Smith's criteria, but would score higher than its shareholders might want.

Mr Gill joined the group, which is 62 per cent owned by Banque Indosuez, six weeks ago, replacing Mr Haque Khan, the chairman and chief executive who retired early at the end of July.

Mr Gill said he was "the prime mover" behind the examination of the accounting practices, but that Banque Indosuez was "highly supportive".

The board comprises Mr Gill, three non-executives from Banque Indosuez, Mr Tim Palmer, the finance director since 1990, and, also since 1990, Mr Simon Davies, the group development director who is responsible for the preparation of the group's accounts.

EJ Riley sold

EJ Riley (Billiards), the snooker equipment maker that was part of the troubled Chequers Group which went into receivership earlier this month, has been sold by the receivers to AW Hainsworth & Sons, a family-owned cloth manufacturer. The purchase price was not disclosed.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.08.92: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.86	17.76	17.76
0100	17.86	17.76	17.76
0130	17.88	17.64	17.64
0200	17.88	17.64	17.64
0230	17.88	17.64	17.64
0300	17.88	17.64	17.64
0330	17.86	17.64	17.64
0400	17.86	17.64	17.64
0430	17.86	17.64	17.64
0500	17.88	17.64	17.64
0530	17.76	17.71	17.71
0600	17.76	17.71	17.71
0630	17.88	17.71	17.71
0700	20.83	20.83	22.74
0730	20.83	21.42	23.61
0800	23.88	24.11	26.58
0830	25.89	24.70	27.17
0900	26.30	26.05	28.63
0930	26.33	27.90	30.46
1000	26.35	28.00	30.59
1030	26.36	28.00	30.40
1100	26.38	27.90	30.45
1130	26.41	26.05	28.45
1200	26.17	26.05	28.45
1230	26.15	26.05	28.44
1300	26.09	26.05	28.44
1330	25.92	26.05	28.46
1400	25.90	26.05	28.47
1430	24.01	26.05	28.47
1500	24.01	24.82	27.20
1530	24.01	25.74	28.14
1600	24.58	25.74	28.14
1630	24.59	24.82	27.19
1700	26.02	25.74	28.12
1730	26.02	27.90	30.44
1800	26.01	27.90	30.46
1830	23.58	24.70	27.09
1900	23.58	24.45	26.85
1930	23.56	24.11	26.50
2000	23.58	22.85	25.22
2030	23.56	18.75	18.75
2100	24.67	22.06	22.00
2130	24.57	21.91	24.26
2200	23.58	27.90	30.51
2230	22.92	27.90	30.52
2300	20.03	21.91	24.27
2330	17.86	21.42	23.77
2400	17.88	20.46	22.77

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-455789 between 8:30am and 5:15pm Monday to Friday.

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PUBLIC WORKS LOAN BOARD RATES

Effective August 26

Years	Quota loans*: EP†	A††	maturity§
1			10⅝
Over 1 up to 2	10⅝	10⅝	10⅝
Over 2 up to 3	10⅝	10⅝	10½
Over 3 up to 4	10½	10½	10⅜
Over 4 up to 5	10½	10½	10⅜
Over 5 up to 6	10⅜	10⅜	10⅜
Over 6 up to 7	10⅜	10⅜	10⅜
Over 7 up to 8	10⅜	10¼	10⅜
Over 8 up to 9	10¼	10⅜	10⅜
Over 9 up to 10	10⅜	10⅜	10½
Over 10 up to 15	10½	10⅝	10½
Over 15 up to 25	10⅝	10½	10⅜
Over 25	10⅜	10¼	10¼

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Friendly Hotels ....int	2.2	-	2.2	-	5.5
GRE ....int	2.5	Jan 4	4.4	-	7
Mallett ....int	nil	-	1.5	-	4.5
Smith (WH) ....fin	9.1	Oct 23	8.5	13.4	12.5
United Uniform ....int	1	Nov 25	1	-	3
Wace ....int	2.25	Oct 15	2.25	-	6.25

Dividends shown pence per share net except where otherwise stated. †On increased capital.

INDEPENDENT NEWSPAPERS, PLC

"recording very satisfactory results"

(Dr. A J F O'Reilly, Chairman)

HALF-YEAR TO 30 JUNE 1992

Turnover	IR£77.4m	up 4%
Operating profits	IR£10.5m	up 36%
Profit before taxation	IR£ 7.0m	up 35%
Earnings per share	16.2p	up 29%
Dividend per share	5.5p	up 10%

INDEPENDENT NEWSPAPERS IS IRELAND'S LARGEST MEDIA AND COMMUNICATIONS GROUP WITH PUBLISHING, OUTDOOR ADVERTISING AND ELECTRONIC MEDIA INTERESTS IN IRELAND, ENGLAND, FRANCE, AUSTRALIA AND MEXICO.

In Ireland, Independent Newspapers' main title, the Irish Independent, increased its market share. The Sunday Independent and The Star achieved strong circulation increases whilst the Evening Herald further improved its leading position. Overall, Independent Newspapers achieved further growth in its advertising market share.

In the United Kingdom, Independent Newspapers' publishing activities, which comprise the recruitment magazines, Ms London and Midweek, and the local newspaper group, Greater London and Essex Newspapers, improved their performances and increased their respective market shares.

In Australia, Independent Newspapers increased its shareholding in Australia Provincial Newspapers (APN) to 20 per cent, following APN's highly successful flotation. APN reported significantly improved results for its half year to 30 June 1992 and its market capitalisation at 21 August 1992 was A$252 million.

Independent Newspapers' outdoor advertising activities in Australia (Buspak) and France (Sirocco) achieved much improved first half performances.

In June, a consortium which includes United International Holdings and Tele-Communications, the largest cable television company in the world, subscribed IR£11.2 million for a 50 per cent. share of Independent Newspapers' television signal distribution subsidiary in Ireland, Princes Holdings. The Group's total investment in this company was IR£6.7 million prior to the investment.

DTI inquiry may 'raise doubts' for potential new chief executive

Wace falls 29% as competition bites

By Jane Fuller

INTENSE COMPETITION in commercial printing and higher interest costs reduced pre-tax profit at Wace Group by 29 per cent, from £7.86m to £5.55m, in the first half of the year.

The decline in operating profit from £11.3m to £10.1m stemmed mainly from the UK printing side of the business, which accounted for about a third of the £156.5m (£148.3m) turnover. Mr Frans ten Bos, chairman, said pre-press work had fared better, particularly in the US.

Mr ten Bos took on executive responsibilities following the resignation of Mr John Clegg as managing director in January.

The Department of Trade and Industry has since been investigating share dealings in the names of some of Mr Clegg's relatives. Wace reiterated that it had nothing to fear from the investigation.

Frans ten Bos (left) with Stephen Puckett: nothing to fear from investigation

Meanwhile, Mr ten Bos acknowledged that the inquiry might raise a doubt in the mind of a potential new chief executive. None has yet been recruited, although he said the group had no need to rush into the appointment.

UK operating profit slipped to £4.27m (£6.81m) on £79.2m (£77m) turnover. One commercial printing subsidiary lost £500,000. "Some competitors were quoting at less than the cost of materials," he said. More than 1,000 printing companies had gone out of business last year and "a hell of a lot more will go to the wall this year".

Label printing and packaging had done well, but work related to advertising, publicity and mail order had suffered.

In the US, operating profit rose 55 per cent to £3.65m. "Last year we had a few bleeders. That has been stopped," said Mr ten Bos. On the Continent, growth in Germany and Italy helped operating profit to reach £2.22m (£2.11m).

Interest charges rose to £4.58m (£3.41m) and net debt at the end of June rose from £80.4m to £90.6m, giving gearing of 125 per cent.

Mr Stephen Puckett, finance director, said this was partly caused by £3.3m of earn-out payments made in cash. Another £4.3m was satisfied in shares. Cash-flow would be positive in the second half.

Earnings per share fell to 2.9p (5.2p). The interim dividend is maintained at 2.25p.

● COMMENT

These results showed the resilience of the pre-press business and reflected well on management action to eliminate losses. Although the group will remain slightly cash negative this year, stability seems to have been achieved with the tailing off of earn-outs. Reducing the debt will depend on progress in disposing of the £64m property portfolio, which can hardly be a rapid process. After a seasonally better second half, full-year pre-tax profit is forecast to reach £15m, giving a prospective p/e of 10 on yesterday's close of 90p. Although the dividend payments (including the preference shares) were not covered by profit in the first half, the betting is that the final will be maintained to offer a yield of 12 per cent. The yield on the convertible bonds is about 18 per cent. While the stock is not without its attractions, the DTI inquiry, the weak dollar and the chief executive lacuna act as a drag. And some risk remains because of high debt and exposure to the UK media sector.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Arnotts, Cattle's, Church & Co. Hambro Countrywide, Inishtech, Jones (A). Mayflower, Monument Oil & Gas, Scottish Eastern Inv, Slough Estates, Smaller Co's Inv Tst, Weir.

Finals- County Smaller Co's Inv, Murray Income, Primadona.

FUTURE DATES

Interims-

Boddington	Sep 9
Bodycote Intl	Sep 10
British-Borneo Petroleum	Sep 9
Martin Currie Pacific	Sep 15
Matthews (Bernard)	Sep. 10
Peek	Sep 8
Plantsbrook	Sep 8
Premier Cons Oilfields	Sep 17
Psion	Sep. 2
RTZ	Sep 10
Ropner	Sep 8
Serna	Sep 10

NEWS DIGEST

Mallett shares fall 17p on loss

SHARES OF Mallett, the London antique dealer, dived 17p to 35p on news that the company had run up losses of £485,000 pre-tax for the half year to June 30.

The interim dividend is omitted - 1.5p was paid previously - and payment of a final will be considered at the year-end.

The loss, which compared with profits of £680,000, was struck from turnover some £2m lower at £3m.

Directors said conditions had been as "difficult as at any time since the war, not helped by the present high exchange rate of the pound against many world currencies, particularly the dollar".

Costs had been reduced via a 20 per cent staff reduction since the year-end and from the closure of the Motcomb Street premises and the transfer of the business to the main New Bond Street premises converting office space to retail showrooms.

Storm shows strong advance to £0.4m

Storm Group, which is aiming to become one of Europe's leading animation and licencing companies, lifted profits from £50,000 to £407,000 pre-tax for the six months to June 30.

Turnover increased to £4m (£605,000), due in part to the completion of three animation productions for the ITV network in the UK.

Earnings per share rose to 0.38p (0.07p). The company joined the USM in 1989 and has yet to pay a dividend. However, directors said that if the first half level of profits continued, they expected to be in a position to recommend a final distribution.

S Daniels runs deeper into loss

After exceeding targets for the first quarter, sales and margins of S Daniels, a supplier of food and drink products, suffered in the second quarter and left the group deeper in loss for the half year ended June 30.

Turnover was virtually static at £15.7m (£16.1m) and at the pre-tax level losses rose from £8,000 to £105,000.

Friendly Hotels declines 33%

Friendly Hotels suffered a £115,000 profits fall to £908,000 pre-tax for the 21 weeks ended June 14.

Directors said however, that recent business had improved and that a "substantial part" of the profit was made in the closing weeks of the interim period.

The interim dividend is maintained at 2.2p and if expectations are realised for the remainder of the year, the final will be increased - shareholders received a 5.5p total previously.

The 33 per cent profits downturn came on the back of fairly static turnover of £12.3m (£12.8m). Basic earnings per share emerged at 2.1p (5.9p); fully diluted the figure was 4.3p (6.4p).

Irish Continental losses at I£4.1m

Irish Continental Group, the Dublin-based shipping company which acquired the B&I operation in January, reported losses of I£4.09m (£3.87m) in its seasonally unfavourable first half.

Directors said the pre-tax line for the six months to April 30 was not comparable to previous periods; the group incurred losses of I£1.49m a year earlier and profits of I£3.21m at the October year-end. Turnover amounted to I£22.8m (I£6.87m).

Losses per share worked through at 24.2p.

Cosalt seeks buyer for caravans side

Cosalt, the diversified industrial group, is to close Cosalt Caravans in an attempt to halt the operation's continuing losses.

The directors stressed that they were seeking a buyer for the business which incurred losses of some £600,000 pre-tax in the first half.

An extraordinary provision of £1.8m for closure costs will be made in the accounts for the year to August 30.

Directors forecast a final dividend of 6.5p, making a same-again total of 10.75p.

Sleepy Kids deeper loss after provision

Sleepy Kids, the USM-quoted co-producer of Potsworth & Co and other animation and character merchandising, incurred an increased pre-tax loss of £109,000 for the six months to April 30, against £62,000.

The outcome this time was after an exceptional charge of £69,000 representing a provision against income receivable from Hanna-Barbera.

The company also said it planned to raise up to £301,000 in a private placing. A maximum of 4.3m new ordinary shares will be placed at 7p per share by Shaw & Co with a limited number of institutional and other investors.

Duchess of York: Budgie creator

Turnover fell to £80,000 (£110,000) and there was an operating loss of £50,000 (£91,000). Losses per share came through at 0.55p (0.38p).

Sleepy Kids has exercised an option for a sole and exclusive worldwide licence for the intellectual property rights (excluding certain book rights) over the Budgie character, already well known from the children's books written by the Duchess of York.

United Uniform Services edges ahead

Profits before tax at United Uniform Services edged ahead to £1.46m in the six months to June 30.

The increase from last time's £1.42m was struck on sales of £26.3m (£24.6m) and after interest charges ahead from £158,000 to £170,000.

The company, which supplies uniforms and corporate clothing through its US-based subsidiaries, traditionally achieves the bulk of its profits in the second half.

Earnings per share emerged at 4.2p (3.9p) and the interim dividend is maintained at 1p.

Bisichi plans to sell retail property

Bisichi Mining yesterday announced a planned retail property disposal, together with unchanged profits for the first half to June 30.

It is selling its interest in a retail investment property in Leeds for £250,000 to London Associated Investment Trust, which holds a 40.7 per cent stake in Bisichi. The disposal reflects a change in the two companies joint ownership policy.

The proceeds will go some way to satisfying the costs of the acquisition, completed earlier this week, of 11 retail units and a public house on a half acre site in Burnley, Lancashire, for £790,000 cash.

A further contribution is the £194,000 proceeds from the sale in May of Bisichi's holding in an Australian gold mining company.

The company announced unchanged pre-tax profits of £78,000 and static earnings of 0.55p per share. Gross income was £189,000 (£214,000).

Schroder Korea net asset value at $8.09

Schroder Korea Fund reported a net asset value of $8.09 per share at June 30.

The trust, which came to the main market in November, posted a net deficit of $180,000 (£90,500) for the period from November 15 to June 30, for losses of 3.6 cents per share.

Latin American Trust assets ahead

Latin American Investment Trust had a net asset value per share of 184.8 cents at June 30 compared with 130 cents a year earlier.

The net loss for the half year amounted to $399,000 ($201,000) against profits of $385,000, for losses per share of 0.53 cents (earnings 0.51 cents).

The Government of Sri Lanka

PEOPLE'S BANK

Invitation to purchase shares in People's Merchant Bank Ltd.

1. Offers are invited from foreign Merchant Banks, their subsidiaries or corporate bodies engaged in financial services, for a 15% equity investment in the People's Merchant Bank Ltd, which is presently wholly owned by the People's Bank. People's Bank will hold 34% of the issued share capital in the privatised People's Merchant Bank Ltd.

   The total issued share capital of the People's Merchant Bank Ltd, will be 12,500,000 ordinary shares of Rs. 10/- each.

   The 15% equity investment will be offered at par on an all or nothing basis to a single investor.

2. The potential investor should have a successful track record of financial services which includes areas of Merchant Banking such as asset management, share issues, commercial paper management, corporate mergers and acquisitions and corporate finance and other financial services such as syndications, leasing, dealing in market instruments and knowledge of, and experience in, foreign currency transactions.

3. All offers should include a profile of the investor and copies of the last 3 years audited financial statements.

4. A sealed package containing the offer documents in quadruplicate addressed to:

   The Chairman, "Cabinet Appointed Committee"
   The Chairman's Office,
   People's Bank, Head Office Building,
   Sir Chittampalam Gardiner Mawatha,
   Colombo 02, SRI LANKA.,

   should reach this address on or before 15.00 hrs, on 30 Sept. 1992. A Box will be kept at this address for the purpose. Offers will be opened at the above office at 15.15 hrs, on Wednesday 30 Sept. 1992. Persons making offers or their agents will be entitled to be present at the opening of offers.

5. For further details and appointments to visit the company, the following could be contacted:

   1. Director/General Manager
      People's Merchant Bank Ltd.,
      41, Janadhipathi Mawatha,
      Colombo 01, SRI LANKA.
      Telephone 449807/8
      Fax 449898
      Telex 22042 PMB CE

   2. Mrs. R.Y.N. Casie Chitty
      Director Economic Affairs,
      General Treasury,
      3rd Floor, Galle Face Secretariat,
      Colombo 1, SRI LANKA.
      Telephone 449595
      Telex 21409 Finmin CE
      Fax (94 1) 549823.

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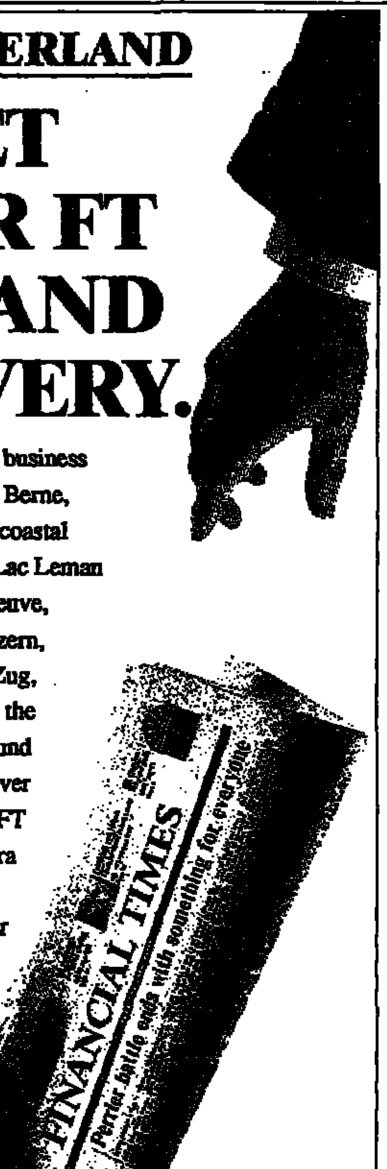

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DENMARK

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Data source: Chief Executives in Europe 1990.*

FT SURVEYS

JAPAN
NIPPON MEAT PACKERS, INC.
CDRs

The undersigned announces that as from August 31, 1992 at Kas-Associatie N.V. and Kredietbank S.A., Luxembourgeoise in Luxembourg div.cp.no. 19 (accompanied by an "Affidavit") of the CDRs Nippon Meat Packers Inc., will be payable with US$ 9,57 per CDR, repr. 100 shs and with US$ 95,70 per CDR, repr. 1.000 shs. (div. per rec-date 31.03.92; gross Yen 14,- per sh.) after deduction of 15% Japanese tax - Yen 210,- US$ 1,68 per CDR, repr. 100 shs and Yen 2.100,- US$ 16,80 per CDR, repr. 1.000 shs. Without an Affidavit 20% Japanese tax (Yen 280,- US$ 2,25 per CDR, repr.100 shs and Yen 2.800,- US$ 22,50 per CDR, repr. 1.000 shs.) After 30.09.92 the dividend will only be paid under deduction of 20% Japanese tax with resp. US$ 9,-; US$ 90,-, repr resp 100 and 1.000 shs., in accordance with the Japanese tax regulations.

Amsterdam, August 25, 1992

AMSTERDAM DEPOSITORY COMPANY N.V.

WOOLWICH BUILDING SOCIETY

£275,000,000
Floating Rate Loan Notes Due 1995 (The 'Notes')

(Comprising £200,000,000 Floating Rate Loan Notes due 1995 issued in November 1985 (the "Original Loan Notes") and a further £75,000,000 Floating Rate Loan Notes due 1995 issued on 30th June 1992 consolidated and forming a single series therewith).

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 26th August 1992 to (but excluding) 26th November 1992, the Notes will carry a rate of interest of 10⅞ per cent. per annum. The relevant interest payment date will be 26th November 1992. The coupon amount per £10,000 Note will be £273.36 payable against surrender of Coupon No: 27.

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FINANCIAL DIGEST

	1992 £M	1991 £M
Turnover	1,082	1,042
Exports	268	179
Profits before tax	161	156
Profits after tax	143	136
Dividend	52	50
Capital expenditure	590	605
Assets	4,347	4,109
Number of employees (average)	15,783	15,327

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COMMODITIES AND AGRICULTURE

Waves of selling depress precious metals prices

By Kenneth Gooding, Mining Correspondent

GOLD DISAPPOINTED its supporters again yesterday when, instead of becoming a haven for investors seeking shelter from turmoil in the currency markets, waves of selling in a thin market drove down the price.

Silver also fell sharply, losing more than 2 per cent of its value in a single day and leaving precious metals analysts divided about its probable future direction.

As silver closed in London down 8 cents at 365.50 cents a troy ounce, reflecting its new role as an industrial metal at a time of gloomy economic conditions, US analysts suggested that it might fall below the 17-year low level seen in 1991 and towards 300 cents an ounce. European analysts said, however, that at 350 cents an ounce silver would be heavily oversold.

Gold closed in London at $338.65 an ounce, down $2.65 on the day. The London bullion market's afternoon "fixing" session was prolonged by Middle East selling.

Analysts said there was also persistent selling by Australian gold producers. "They come in to sell above $340 an ounce," suggested Mr Andy Smith at Union Bank of Switzerland. Mr William O'Neill at Merrill Lynch pointed out: "The fall of Australia's currency against the US dollar has made gold selling extremely attractive in Australian dollar terms".

Mr Rob Weinberg, analyst at Societe General Strauss Turnbull, suggested that gold was being ignored by many investors because of its relative lack of volatility. He said: "There are far more exciting games for the fleet of foot."

Coffee producers united on pact

By Sarita Kendall in Bogota

BRAZIL, COLOMBIA and Costa Rica presented a united front after three days of talks on the establishment of a new International Coffee Agreement and said the International Coffee Organisation must register "decisive progress" at its meeting in September. Brazil is to call a producers' meeting for September 19 and 20, before the ICO discussions begin.

Representatives from the three coffee-producing countries pointed out that producers had accepted the universal quota and agreed to negotiate other issues presented by the consuming countries.

But they deplored the fact that consuming countries were not showing willingness to share the responsibility for ensuring controls on coffee imports.

"We are not going to export coffee other than that established by our quotas," said Mr Jorge Cardenas, manager of Colombia's Coffee Federation.

He insisted that it was urgent to get the pact going and if there was no will to negotiate in September the producers "would have to analyse other alternatives".

The joint communique refers to the "devastating effects" of low prices. Colombia is to take at least 100,000 hectares (247,000 acres) of coffee out of production to cut its present output of 17m bags (60 kg each), which is draining the national coffee fund. Income from coffee has now dropped to less than 20 per cent of Colombia's export earnings.

Australian board sells wheat to India

By Kevin Brown in Sydney

THE AUSTRALIAN Wheat Board yesterday said it had sold 500,000 tonnes of wheat to India in a A$100m (£35m) deal which marks the resumption of Australian sales to New Delhi after a gap of more than 10 years.

Mr John Lawrenson, managing director, said the board expected to sell more wheat to India for shipment early next year to help cover a forecast shortfall of 1.5m tonnes in the Indian harvest.

"That will depend in large part on the progress of the monsoon, but I understand that so far it has not lived up to expectations and that the area sown to wheat in India may fall below what is required to maintain self-sufficiency." Mr Lawrenson said. India is normally self-sufficient in wheat, and has been a modest exporter in previous years.

The deal means returns of about A$200 a tonne for Australian growers, compared with average returns of between A$160 and A$170 a tonne. The average return last season was A$180 a tonne.

The wheat board said the wheat contract had spin-off possibilities for Australian grain legume growers. "India is a significant market for Australian field peas and chick peas, and given that we will be shipping large volumes of wheat we may be able to generate some freight advantages that will assist the sale of these crops," Mr Lawrenson said.

New Zealand to resume wool trade with Russia

By Terry Hall in Wellington

NEW ZEALAND is resume its wool trade with Russia after nearly two years' of severe disruption because of the former Soviet Union's financial problems. For more than two decades it had been one of New Zealand's most important customers for carpet-making wools.

Mr Pat Morrison, chairman of the New Zealand Wool Board said yesterday that it was hoped that about 16,500 tonnes would be sold this season. This confirms reports in May that the Russians would buy wool worth some NZ$100m (£27m) this season, following the signing of new credit agreements with the West.

Initial shipments of 1,400 tonnes of wool worth NZ$11m are being assembled for export in Auckland and Christchurch. Mr Morrison said payment arrangements for the initial deal had been completed on a very satisfactory commercial basis. Most of the wool will be sold from the board's stockpile, which grew to 580,000 tonnes, from 1989 largely because of the withdrawal of Russian and Chinese buying, before China resumed buying in large quantities last year.

Traders had been wary about making deals with the former Soviet republics because of delays in settling an estimated NZ$350m of unpaid bills. This included NZ$270m owed to the Dairy Board and NZ$60m to the ANZ Bank, which underwrote a wool deal last year.

Mr Morrison said getting the trade going again had been a priority, although it would take time to see it return to former buying levels. The Soviet Union used to buy about 10 per cent, or 25,000 tonnes of New Zealand's total wool production, and was viewed as the country's most consistent buyer.

Indonesian oil exploration falls short of target

By William Keeling in Jakarta

INDONESIA SIGNED a record number of oil production sharing contracts last year but a concomitant rise in exploration expenditure failed to materialise, according to the annual petroleum report published by the US Embassy in Jakarta.

The government signed 22 production sharing contracts with oil companies in 1991, up from 14 in each of the previous two years, and the report estimates a further 15 could be signed this year.

However, only 123 exploration wells drilled last year, 38.5 per cent below the number forecast by Pertamina, the state-owned oil and gas company. Actual exploration and development expenditure by oil companies was $1.875bn, significantly lower than the $2.27bn budgeted.

The report cautions that oil companies are farming out exploration in frontier areas, where the cost of a wildcat well exceeds $30m, in order to limit exposure.

Pertamina forecasts that oil companies' exploration expenditure will reach $2.84bn this year, although the report says the softness of the oil market may lead to "some erosion in budgeted outlays".

The report estimates Indonesia's crude and condensate production in 1991 at 1.592m barrels a day, dropping to 1.53m b/d in the first quarter of this year. Exports in 1991 averaged 905,000 b/d, of which 44 per cent went to Japan and 11 per cent to the US.

The value of Indonesia's oil and condensate exports last year totalled $6.4bn, down from $8.75bn in 1990.

Indonesia also produced 22m tonnes of liquefied natural gas last year, accounting for 38 per cent of world production. All production was exported, with Japan accounting for 80 per cent, South Korea 13 per cent and Taiwan 7 per cent.

LNG exports in 1991 were valued at $4.04bn.

Ukraine's cast-iron loss-maker

Anthony Robinson reports on the Krivoi Rog ore enrichment plant

THE FATE of the last great Comecon investment project, a sprawling iron ore enrichment plant near Krivoi Rog in southern Ukraine, hangs in the balance following Germany's recent decision to pull out of what was planned as a classic communist resource development.

The aim of the multi-billion rouble project, under construction for the last five years near the Ukrainian village of Dolinskaya, 450 km (280 miles) south-east of Kiev, was to process 33m tonnes of low grade oxidised iron ore annually into enriched iron pellets for the steel mills of eastern Europe.

But the collapse of the Soviet Empire has saddled a now independent Ukraine with a vast unfinished construction site requiring billions more roubles to complete. Designed when Soviet energy prices were low and demand for steel was insatiable, the vast complex of power-hungry grinders, crushers and pelletisers will never be profitable by the western accounting standards.

This became clear after Bonn took over east Germany's relatively minor 5 per cent stake. It found that, at world prices, the value of the 3.7m tonnes of pellets due to be delivered over ten years would be about DM220m ($133m), equivalent to only 7 per cent of the DM3.7bn investment – and that took no account of transport cost from southern Ukraine or of the pellets' low quality.

The German cabinet's June 4 decision to pull out of the deal was reinforced by the fact that the steel mills that were scheduled to use the pellets had been scrapped as part of the post-unification destruction of East Germany's obsolete and polluting industrial plant.

Bonn sent Mr Jurgen Möllemann, the economics minister, to tell President Leonid Kravchuk personally of Bonn's decision. The Ukranian government, horrified at the implications of the German pull-out, asked it to reconsider, stating its own determination to complete the project. The Ukrainian government then sent letters to all the other participants – Bulgaria, Czechoslovakia and Romania asking for a meeting to review and renegotiate the deal.

Senior Ukrainian officials working at the site privately concede that the original deal was highly disadvantageous for Germany and say that Ukraine is prepared to compensate it in other ways, provided it completes its vital segment of the plant. At present, however, Bonn is inclined to cut its losses. It plans to retain the DM1.7bn still to be disbursed and avoid the inevitable cost over-runs of a project that should have come on stream this year but is no more than half finished.

But the former GDR and Bonn have already spent more than DM2bn on equipment, construction and wages for the 4,000 Polish and East German workers employed for the last five years in building three crusher plants, housing and ancillary infrastructure. Mr Volker Wittenbecher, the former-East German project manager says that 80 per cent of Germany's construction projects have been completed and 95 per cent of the equipment has already been delivered.

The plant would cost billions of roubles to complete

Ukraine argues that the German part of the project can be completed with very little extra cost. Mr Viktor Hladush, a tough communist-era manager who used to run one of Krivoi Rog's five ore enrichment plants, is now the Ukrainian Minister of Industry. He originally opposed the decision to build the new plant, believing that existing plants should have been modernised instead. He insists that Dolinskaya will only be completed if it is profitable to Ukraine.

But judging profitability is more than a profit and loss account calculation. If Dolinskaya is scrapped, hundreds of acres of former rich, black earth farm land will have been transformed uselessly into a half-finished industrial desert and billions of roubles will have been lost. Dropping the project also means that existing older plants in Krivoi Rog will continue to pollute the city. Millions of tonnes of low grade ore will remain on the waste tips surrounding the iron mines instead of being shipped off for enrichment.

The possibility of using cheap, already-mined ores and the fact that most of the actual construction costs were to be borne by East Germany, Romania, Czechoslovakia and Bulgaria, originally attracted the Soviet leaders to the project. It followed the classic pattern of pre-payment for future deliveries of "cheap" energy and raw materials already established by the Druzhba oil pipeline, which brings Russian oil to eastern Europe, and the Yamburg gas pipeline.

Like all decisions of the now defunct Comecon, it also had a political motive – to reinforce east European dependence on Moscow.

The collapse of both Comecon and the Soviet Union, however, has changed the political and economic landscape radically. Mr Yegor Gaidar, the Russian prime minister has made it clear that Russia wants nothing more to do with the project. Ukraine has thus inherited both Moscow's original 51 per cent stake and the commitment to supply hundreds of millions of tonnes of ore, build a 60 km dedicated railway line from Krivoi Rog to Dolinskaya and supply water and energy from a nuclear power station at Nikolayev, in southern Ukraine (at present mothballed for safety reasons). In return Ukraine will receive 51 per cent of the 10m tonnes of pellets to be produced annually.

On the same basis Romania, the second biggest partner, with a 27 per cent stake, is scheduled to receive 27 per cent of the pellets, followed by Czechoslovakia (14 per cent), eastern Germany (5 per cent) and Bulgaria (4 per cent).

Czechoslovakian participation is now in doubt, however. The federal government has indicated its desire to withdraw, although the soon-to-be-independent Slovakian government is anxious to ensure a continuing supply of pellets for the East Slovak steelworks in Kosice, which already receives pellets from Krivoi Rog.

Romania, whose dependence on Ukrainian ore is reflected in the size of its stake, seems the most determined to press on. More than 4,500 Romanians are hard at work completing the final pelletisation plant and the country has indicated a willingness to finish uncompleted sections if others pull out.

The Bulgarians, with the smallest stake, are nowhere to be seen at the vast construction site with its miles of tubing, half finished crushing, sintering and flotation plants, rutted roads and piles of machinery, packing cases and building materials.

Despite the fact that most of the German workers have already gone home, leaving only 200 to board up the nearly-finished assembly halls and make detailed inventories of everything left behind, Mr Ivan Stepanov, the Ukranian deputy director of the entire complex, expresses quiet confidence that the project will still be completed – sometime in 1995.

He still hopes that the Germans, who alone appear to have kept close to the original schedule, will reconsider. "We are looking for a compromise. If they no longer need their share of pellets perhaps they could be repaid in some other way. But if they walk away now they will not get anything back for what they have done."

Brought up in the Stalinist tradition of smoking chimneys and heavy industry the former communists who still run the Ukraine are used to thinking in terms of energy-intensive, resource-based projects like Krivoi Rog. Such thinking also permeates nationalist parties like Rukh, which point to Ukraine's allegedly rich natural resources as the basis for its future prosperity.

The reality is much grimmer. The coal and iron ore mines which spurred the Ukrainian industrial revolution in the 19th century are now more of a liability than an asset. After a century of exploitation the iron ore mines are now deep holes in the ground. Coal production in the adjacent Donbas fell by more than 20 per cent last year and many of the deep, geologically-fractured mines are both dangerous and unprofitable. What is more, many of the plants that formerly consumed the 54m tonnes of steel produced annually by Ukraine before the dissolution of the Soviet Empire were either arms factories or heavy engineering plants – often producing equipment for the iron and steel industry. Like so much of the old command economy it was a self-sustaining circle which generated little in the way of consumer goods.

Against this broader background the future of Dolinskaya is intimately linked to the future shape of the Ukrainian economy. A decision to pour many billions more roubles into completing the plant would confirm Ukraine's heavy industrial vocation. But they would be roubles that could otherwise be invested in building a more modern, consumer-orientated economy. Hard choices lie ahead.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER remained under pressure from liquidation orders on the LME for most of the day, ignoring late news that Polish miners were threatening to resume their strike, which took the steam out of early falls on Comex. By the end of the LME kerb three-month copper was trading at £1,286.50 a tonne, down £11 from Tuesday and equivalent to $2,508, down $27. This means that so far this week it has lost a large part of last week's $90 gain. **ZINC** remained underpinned by developing fourth quarter tightness and news that Peru's Centromin workers have threatened to strike indefinitely in September. The threat of a fourth quarter squeeze on LME zinc supplies by a group of traders and producers through strategic purchases of futures and options prompted further short covering and widened the backwardation from October. Late news that the European Zinc Institute had estimated world stocks down 11,330 tonnes in July saw three-month metal close on the kerb at $1,364.50 a tonne, up $13. **TIN** came in for a late bout of profit taking. But traders said they were still looking for a move up to $7,000 for three-month metal as the recent rally is still intact.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$17.85-90d	+.025
Brent Blend (dated)	$19.60-70d	+.025
Brent Blend (Oct)	$19.80-90	+.025
W.T.I (1 pm est)	$21.25-30d	+0.05

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$214-216	-1
Gas Oil	$174-175	-0.50
Heavy Fuel Oil	$84-86	
Naphtha	$191-192	
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$338.65	-2.65
Silver (per troy oz)♣	365.5c	-8
Platinum (per troy oz)	$351.40	+2.65
Palladium (per troy oz)	$85.50	+0.5
Copper (US Producer)	118.0c	
Lead (US Producer)	38.4c	
Tin (Kuala Lumpur market)	16.76r	
Tin (New York)	316.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.31p	+0.10*
Sheep (live weight)†♠	74.01p	+0.51*
Pigs (live weight)†	80.90p	+0.33*
London daily sugar (raw)	$262.40w	+1.8
London daily sugar (white)	$274.90w	-0.6
Tate and Lyle export price	£235.0	+1
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Oct)♥	49.75p	
Rubber (Nov)♥	49.75p	
Rubber (KL RSS No 1 Jul)	217.50m	-1
Coconut oil (Philippines)§	$525.0t	+12.5
Palm Oil (Malaysian)§	$402.5y	+2.5
Copra (Philippines)§	$322.50	
Soyabeans (US)	£133.0	
Cotton "A" Index	57.90c	-0.8
Wooltops (64s Super)	367p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Oct/Nov w-Aug/Sep y-Sep d-Oct. z-Oct/Dec. †Meat Commission average fatstock prices. * change from a week ago ♥London physical §CIF Rotterdam. ♣ Bullion market close m-Malaysian cents/kg. ♠Sheep prices are now live weight prices

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Oct	201.00	204.00	204.00 203.40
Dec	193.80	194.00	193.60
Mar	193.80	195.40	195.00
May	193.60	195.00	194.40
Aug	193.00		191.00
White	**Close**	**Previous**	**High/Low**
Oct	257.00	257.00	257.40 255.00
Dec	253.50	253.00	253.00 251.00
Mar	256.00	256.20	256.20 254.00
May	258.50		259.50 257.50
Aug	263.50		264.90 262.60
Oct	254.40		255.70 253.90
Dec	255.40		254.90

Turnover: Raw 258 (696) lots of 50 tonnes. White 2168 (475) Paris- White (FFr per tonne): Oct 1226.81 Dec 1229.17

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Oct	19.86	19.75	19.90 19.65
Nov	19.92	19.78	19.95 19.71
Dec	19.92	19.82	19.95 19.71
Jan	19.87	19.78	19.87 19.64
Feb	19.68	19.85	19.68 19.60
Mar	19.60	19.63	19.60
IPE Index	19.95	19.81	19.95

Turnover 17204 (23898)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Sep	177.25	178.75	178.75 176.25
Oct	181.50	183.25	183.00 180.25
Nov	184.50	186.50	186.00 183.50
Dec	187.25	189.00	188.25 186.00
Jan	187.50	189.25	188.50 187.00
Feb	184.50	186.75	185.50 184.50
Mar	181.25	182.50	181.50 180.50
Apr	178.25	180.00	179.00 178.00
May	177.00	178.50	178.25 176.50

Turnover 15779 (11120) lots of 100 tonnes

WOOL
The Australian wool market drifted down a little from last week's slightly firmer levels, although again there was very little change in prices in terms of the local currency. Of dominant importance outside Australia was weakness in that currency against the US dollar, and the renewed weakness in the US dollar itself. Wool therefore again became cheaper to buy for practically all overseas users. The situation involves slow and very competitive trading throughout the trade. Recession continues to play a part, as do the final days of the main European holiday season.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Sep	616	613	618 612
Dec	644	644	648 642
Mar	672	673	678 671
May	691	691	697 691
Jul	711	710	714 710
Sep	730	728	733 732
Dec	755	753	758 753
Mar	782		780
May	801		805 801

Turnover: 4587 (4579) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 25 830.01 (819.49) 10 day average for Aug 26 806.44 (801.49)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Sep	742	741	742 728
Nov	764	762	765 750
Jan	772	770	770 759
Mar	783	779	782 770
May	794	792	790 780
Jul	800	807	801

Turnover:2337 (2429) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 25: Comp. daily 45.39 (45.62) 15 day average 45.67 (45.77)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	61.8	61.2	61.5 59.6

Turnover 84 (27) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	119.00	119.50	119.00
Feb	121.00	121.50	121.00

Turnover 40 (40) lots of 20 tonnes

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Sep	1090	1100	1100 1090
Oct	1168	1180	1175 1168
Jan	1212	1220	1212 1210
Jul	1105		1105 1099
Oct	1275		1280 1275
BFI	1077	1077	1077

Turnover 120 (100)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Sep	113.00	112.75	113.00 112.70
Nov	115.00	114.90	115.00 114.60
Jan	118.40	118.50	118.40 118.20
Mar	122.00	121.85	122.00 121.65
May	124.80	124.75	124.80 124.60
Barley	**Close**	**Previous**	**High/Low**
Sep	108.40	109.55	109.40
Nov	113.00		113.00 112.95
Jan	116.75		116.75

Turnover: Wheat 253 (209), Barley 42 (57).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	100.0		99.5
Mar	103.0		103.0 102.0
Apr	105.0		104.5

Turnover:8 (7) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 34,887 lots
Cash	1299-300	1305.5-6.5		1302-3		
3 months	1324-5	1330.5-31	1330.5/1325	1327.5-8	1325-6	176,768 lots
Copper, Grade A (£ per tonne)						Total daily turnover 43,873 lots
Cash	1259.5-60.5	1275-6	1268.5	1268.5-9		
3 months	1286-6.5	1300-1	1294/1285.5	1294-5	1286-7	149,349 lots
Lead (£ per tonne)						Total daily turnover 5,435 lots
Cash	331.5-2.5	325-6		328.5-9		
3 months	339.5-40	335.5-6	340.5/336	337.5-8	340.5-1	28,961 lots
Nickel ($ per tonne)						Total daily turnover 8,223 lots
Cash	7275-85	7290-5	7280	7280-2		
3 months	7350-60	7365-70	7360/7350	7355-60	7350-60	26,268 lots
Tin ($ per tonne)						Total daily turnover 3,270 lots
Cash	6900-10	6865-75		6918-23		
3 months	6915-25	6895-900	6930/6850	6926-30	6870-80	11,890 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,828 lots
Cash	1401-3	1376-7	1405/1399	1396-9		
3 months	1364-5	1347-8	1370/1363	1362-3	1364-5	65,387 lots

LME Closing £/$ rate: SPOT: 1.9867 3 months: 1.9514 6 months: 1.9214 9 months: 1.8897

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	338.50-338.80	
Opening	338.00-338.40	
Morning fix	340.35	171.090
Afternoon fix	338.50	170.383
Day's high	340.40-340.70	
Day's low	338.20-338.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.72	6 months	2.69
2 months	2.71	12 months	2.73
3 months	2.70		

Silver fix	p/troy oz	US cts equiv
Spot	183.40	364.75
3 months	188.45	367.95
6 months	193.15	370.95
12 months	203.35	378.35

GOLD COINS

	$ price	£ equivalent
Krugerrand	339.00-341.00	170.00-171.00
Maple leaf	348.55-350.80	-
New Sovereign	82.00-83.00	41.00-42.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	68	82	3	10
1300	30	61	16	23
1350	9	34	44	48
Copper (Grade A)	**Calls**		**Puts**	
2500	49	70	38	72
2550	27	49	63	49
2600	13	33	98	134
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
700	81	86	18	15
750	50	54	37	33
800	30	33	67	62
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
625	41	69	22	22
650	28	54	34	32
675	20	42	51	45
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
2000	21	42	52	69
2050	9	30		
2100	6	17		

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	338.3	340.6	339.3	338.3
Sep	338.2	340.6	0	0
Oct	339.3	341.7	341.8	339.0
Dec	340.9	343.3	343.4	340.5
Feb	342.7	345.1	343.8	342.3
Apr	344.4	346.8	345.8	343.9
Jun	346.2	348.6	0	0
Aug	348.0	350.5	348.0	348.0
Oct	349.9	352.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	352.0	351.2	355.0	348.5
Jan	348.5	348.9	351.0	346.0
Apr	349.0	349.4	349.5	348.0
Jul	350.0	350.4	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	366.9	370.0	365.0	363.0
Sep	367.0	370.2	367.5	362.0
Oct	369.0	372.2	0	0
Dec	370.7	373.9	371.5	366.0
Jan	372.0	375.2	0	0
Mar	374.5	377.7	375.0	370.0
May	377.2	380.4	376.0	374.5
Jul	379.7	382.9	378.0	375.0
Sep	382.6	385.8	380.5	379.5
Dec	387.0	390.2	386.5	382.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	111.15	112.10	112.60	111.15
Sep	111.50	112.30	112.85	111.15
Oct	111.95	112.70	112.70	111.70
Nov	112.35	113.05	113.05	112.30
Dec	112.75	113.45	113.80	112.50
Jan	112.45	113.10	113.20	113.10
Feb	112.30	112.95	112.95	112.95
Mar	112.10	112.65	112.65	112.00
Apr	111.30	111.80	111.80	111.80
May	111.10	111.45	111.60	111.20

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	8.93	9.05	9.09	8.82
Mar	8.72	8.79	8.82	8.64
May	8.72	8.81	8.81	8.64
Jul	8.72	8.79	8.75	8.65
Oct	8.66	8.72	8.70	8.66

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	21.38	21.15	21.38	21.02
Nov	21.27	21.08	21.27	20.96
Dec	21.18	21.02	21.18	20.93
Jan	21.06	20.93	21.06	20.85
Feb	21.00	20.84	21.00	20.85
Mar	20.84	20.75	20.84	20.75
Apr	20.80	20.65	20.73	20.65
May	20.65	20.55	0	0
Jun	20.62	20.45	20.46	20.43
Jul	20.52	20.37	20.62	20.61

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	58.80	58.23	58.80	57.60
Oct	59.65	59.08	59.70	58.65
Nov	60.50	60.27	60.50	59.90
Dec	61.95	61.46	61.95	61.00
Jan	62.30	62.00	62.35	61.70
Feb	61.60	61.28	61.60	61.10
Mar	59.80	59.41	59.80	59.00
Apr	58.10	57.71	58.10	57.60
May	56.50	56.56	56.50	56.20
Jun	55.80	55.81	55.80	55.80

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1100	1099	1102	1083
Dec	1134	1135	1135	1115
Mar	1182	1183	1182	1166
May	1210	1211	1203	1196
Jul	1236	1236	1236	1225
Sep	1262	1265	0	0
Dec	1305	1306	0	0
Mar	1338	1341	0	0
May	1369	1368	1363	1361

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	51.50	50.90	51.70	51.00
Dec	53.30	52.70	53.50	52.50
Mar	55.80	55.25	55.65	54.90
May	59.25	59.05	59.25	58.80
Jul	61.20	61.20	61.40	60.85
Sep	63.20	63.00	63.00	63.00
Dec	66.50	66.25	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	58.81	58.95	59.80	58.47
Dec	55.83	56.27	56.90	55.50
Mar	56.77	57.30	57.65	56.50
May	57.27	57.86	58.00	57.20
Jul	57.60	58.45	58.65	57.80
Oct	59.00	59.05	59.00	59.00
Dec	59.25	59.05	59.50	59.25

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	112.40	111.40	112.90	111.20
Nov	107.55	107.25	107.90	106.75
Jan	107.35	106.90	107.90	106.70
Mar	107.65	107.05	108.00	107.00
May	107.75	107.25	108.00	108.00
Jul	107.35	106.75	0	0
Sep	107.25	106.75	0	0
Nov	107.25	106.75	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Aug.26	Aug.25	mnth ago	yr ago
1518.8	1523.4	1548.8	1658.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug.26	Aug.24	mnth ago	yr ago
Spot	116.61	117.45	116.79	117.92
Futures	115.97	116.66	118.36	122.10

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	558/8	562/0	560/0	557/2
Nov	552/6	558/4	555/2	552/0
Jan	559/4	563/4	562/0	559/0
Mar	567/6	571/0	569/6	567/2
May	574/4	577/4	576/0	574/0
Jul	580/2	584/0	582/0	580/0
Aug	578/4	581/6	0	0
Sep	575/4	577/6	0	0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.74	18.67	18.96	18.70
Oct	18.87	19.08	19.12	18.85
Dec	19.16	19.36	19.43	19.14
Jan	19.32	19.50	19.58	19.32
Mar	19.61	19.80	19.85	19.60
May	19.91	20.07	20.12	19.90
Jul	20.17	20.30	20.30	20.17
Aug	20.23	20.45	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	177.0	178.4	177.1	176.0
Oct	192.0	192.3	192.1	191.7
Dec	191.3	191.8	191.5	190.9
Jan	190.4	190.9	190.8	190.1
Mar	189.1	189.7	189.4	188.7
May	188.7	189.3	189.1	188.4
Jul	189.7	189.5	190.0	189.2
Aug	188.5	189.5	191.0	189.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	224/4	226/2	225/6	224/2
Dec	223/6	226/2	225/6	223/4
Mar	232/0	234/4	234/2	231/6
May	238/2	240/2	239/4	238/0
Jul	243/0	245/0	244/4	242/6
Sep	243/4	243/2	243/4	242/4
Dec	246/0	247/0	246/4	245/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	319/2	325/0	324/4	318/2
Dec	331/6	337/2	337/0	330/4
Mar	338/4	345/0	344/4	338/0
May	337/2	342/4	341/4	336/0
Jul	322/4	327/4	327/0	321/4
Sep	326/4	331/0	330/0	326/4
Dec	337/4	341/4	340/0	337/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	74.075	74.350	74.350	74.025
Dec	72.425	72.575	72.725	72.375
Feb	71.825	71.925	72.050	71.800
Apr	72.900	73.075	73.000	72.800
Jun	69.350	70.050	70.100	69.300
Aug	68.850	68.550	68.850	68.650
Oct	68.750	0	69.000	68.750

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	40.300	40.025	40.350	39.950
Dec	40.800	40.575	40.850	40.450
Feb	40.550	40.300	40.600	40.250
Apr	39.025	39.075	39.050	38.750
Jun	44.600	44.600	44.700	44.550
Jul	44.500	44.625	44.500	44.500
Aug	43.400	43.600	43.560	43.350
Oct	40.800	0	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	39.300	39.050	39.500	38.550
Mar	38.950	38.850	39.200	38.400
May	39.850	40.250	40.425	38.950
Jul	38.800	38.800	39.000	0
Aug	39.050	39.050	0	0

Share prices steady in nervous trade

By Terry Byland, UK Stock Market Editor

A STRONGLY worded committal to the pound's place in the European Monetary System from the UK chancellor of the exchequer, followed by heavy support for sterling from the Bank of England, checked the slide in UK equity markets yesterday but did little to restore confidence in the near-term outlook. Market strategists were not convinced that the UK government will succeed in riding out the crisis in sterling without raising domestic interest rates.

The FT-SE Index closed four points up at 2,285, unable to recapture the early gain of 11.8 which had greeted the Bank's foreign exchange support operations. Equities turned down smartly at mid-morning after a member of the Bundesbank policy council rejected hints of an ERM realignment and appeared to put the pound in the spotlight again. A further blow came later when the latest Maastricht opinion poll in France indicated a 52 per cent "no" vote.

The stock market was much quieter yesterday following the blood-letting of the previous session. Seaq volume dropped back again to a total of 371.7m shares, compared with 537.7m the previous day. The value of retail, or customer, business on Tuesday jumped to £1.1bn, confirming that the institutions had been active sellers of stock in the big blue chip issues.

Some traders claimed to indentify a more positive mood in the market towards the close yesterday and hoped that the Bank's massive support for the pound might be the first step in a concerted plan to avoid any increase in UK base rates.

However, most strategists felt that the chancellor's announcement had been "very badly handled" and that the London financial markets are in for a "very uncertain period".

Mr Ian Harnett at Strauss Turnbull said a rise of ¾ percentage point in UK base rates is already priced into London money rates, and that if the authorities are forced to lift base rates, then a full percentage point increase might not now be enough to restore stability to the currency.

Share prices made an uncertain pattern. There were strong recoveries in some – but not all – of the retail and consumer stocks, which have been particularly threatened by interest rate worries. Dollar stocks also turned in a better performance.

But dealers warned that share prices were fuelled yesterday by the tightness of marketmakers' positions after two sessions of heavily falling share prices. A few buyers, usually from rival marketmakers, was enough to send prices ahead. Whether yesterday's recovery will stand up to any attempted renewal of the sales pressure seen on Tuesday must remain open to question. At best, the stock market's condition remained fragile.

Securities analysts at the London-based securities firms were beginning to reconsider year-end forecasts for the Footsie in the light of the gloomier investment picture which has emerged this week. Increases in base rates would inevitably undermine corporate recovery prospects and cast fresh clouds over the outlook for company profits and dividend payments.

Account Dealing Dates		
*First Dealings:		
Aug 10	Aug 24	Sep 7
Option Declarations:		
Aug 20	Sep 3	Sep 17
Last Dealings:		
Aug 21	Sep 4	Sep 18
Account Day:		
Sep 1	Sep 14	Sep 28

*New time dealings may take place from 8.30 am two business days earlier.

Zofran hint for Glaxo

DISCLOSURE that US officials are to discuss improved prospects for Glaxo's Zofran drug filtered through too late to have much effect on the shares in London yesterday. Nevertheless, the stock closed firmer, with US house Wertheim Schroder preparing an enthusiastic internal note.

Mr Jonathan Gelles, Wertheim's pharmaceuticals specialist, will point out that the US Food and Drug Administration (FDA), which approves drug use in the US, will discuss increased use of Zofran, Glaxo's anti-emetic drug.

The FDA confirmed that its advisory committee will meet next Thursday to discuss the use of the drug for post-operative nausea and vomiting. Mr Gelles said Zofran was expected to generate around £260m ($517.4m) this year and approval for extended US use could add a further £100m. Glaxo ended 2 firmer at 691p.

W.H. Smith pleases

Solid final results from W.H. Smith sent the shares forward 15 to 376p. A lower tax charge was the only real surprise, as news that the core retail businesses were holding up well and the DIY division was continuing to struggle were as expected.

Ms Kimlan Cook at County NatWest commented: "The chunky dividend and modest premium to the market mean the shares represent good value in the short term. But we remain neutral past then, mainly because of the uncertainties posed by the Monopolies and Mergers Commission inquiries into newspaper wholesaling and compact discs, and the concern over the net book agreement."

Mr Nick Hawkins at Kleinwort Benson was more positive, arguing that the stock's defensive qualities and recovery potential represented good value at both levels.

Wellcome hurt

Pharmaceuticals group Wellcome fell ahead of publication of an article in a highly regarded US trade publication. The New England Journal of Medicine, out today, contains a 10-page article on the group's Aids drug, Retrovir.

The article describes a trial by an independent US group which concludes that "changing treatment from zidovudine (the generic name for Retrovir) to 500mg per day of didanosine (the generic name for the drug marketed by US competitor Bristol Myers Squibb) appears to slow the progression of HIV disease".

Nevertheless, analysts said the trial results had already been aired at the Amsterdam Aids conference last month and that Retrovir was likely to remain the main anti-Aids drug. The stock declined 15 before ending 10 off at 782p.

Reuters firm

An improved recommendation for Reuters helped the news and financial information service group to recover some recently lost ground. The shares were among the best performers in the FT-SE 100 Index and gained 13 to 1025p.

Barclays de Zoete Wedd put the company back on its buy list after having a hold stance on the stock from March. Analyst Mr Paul Norris says the group's electronic trading system, Dealing 2002, is showing a pick-up following a slow start in June. He adds that Reuters will benefit from a 40 per cent exposure to the D-Mark against only a 20 per cent exposure to the dollar.

Already weakened by worries about UK interest rates, the building sectors came under even more pressure as County NatWest published a bearish research note adopting a short-term sell stance on every contracting and building materials stock covered by the firm. Official figures showing a 19 per cent slump in construction orders in the June quarter added to the gloom.

Emphasising that its use of the term "sell" meant that it viewed the relevant share prices as likely to underperform the market by more than 10 per cent in the next three months, County's building team said it anticipated that at least 18 of the 31 companies covered will cut dividends.

County said a rise in interest rates would "push the housing market over the brink and turn catastrophe into disaster".

Redland, already depressed by a prediction from stockbroker Panmure Gordon of a 20 per cent reduction in annual dividend, dropped 20 more to 354p. Housebuilder Persimmon fell 8 to 181p.

Interim figures from Guardian Royal Exchange were well received by the market and the shares ran up to 132p before slipping back to close fractionally ahead at 127p.

Renewed institutional support and suggestions that sentiment towards composite insurers may be changing lifted Sun Alliance 1½ to 219p.

Sedgwick put on 7 to 108p and Willis Corroon 2 to 146p on hopes that US rates may rise sharply following Hurricane Andrew.

Oil shares mostly continued to hold up well, although Lasmo attracted selling pressure and finished 5 cheaper at 129p on keen turnover of 3.2m shares. Specialists said there were no new stories behind the latest fall and that a technical bounce was now due.

BP drew strength from news that US investors have increased their holdings of the stock by some 100m shares to 14.2 per cent since the halving of the dividend on August 6. County NatWest said US investors had carried on buying BP because the shares look cheap on a valuation basis compared to US stocks.

Good two-way business in Ladbroke was attributed to the group's results due next week where the dividend is considered safe. The shares closed 3 off at 130p in turnover of 8.4m.

Bullish noises from Marks and Spencer were said to have helped the shares, which climbed 6 to 287p. The company is said to have been indicating to analysts that interim profits are likely to be better than expected.

Tightly traded publisher News International jumped 23 to 448p as the group announced a full-year profit of £48.1m, against a loss last year of £335.8m.

British Steel was heavily traded again as a block of 8.1m shares dealt at 43p boosted turnover to 17m. The block was the second half of a tax-related "bed-and-breakfast" deal. Steel eased ½ to 48½p.

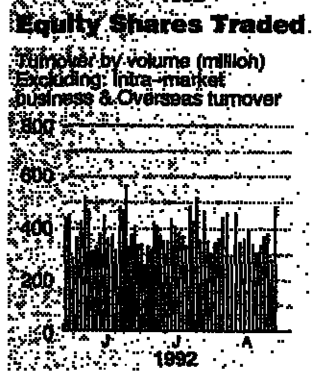
MARKET REPORTERS:
Peter John,
Christopher Price,
Steve Thompson.

■ Other market statistics, Page 22

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



FINANCIAL TIMES STOCK INDICES

	Aug 26	Aug 25	Aug 24	Aug 21	Aug 20	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	87.25	87.56	87.90	88.43	88.59	85.80	89.75 (3/7)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	103.34	103.82	104.51	106.15	105.28	94.89	106.35 (6/7)	97.15 (2/1)	106.35 (6/7/92)	50.53 (3/1/75)
Ordinary Share ●	1676.2	1681.0	1713.7	1755.4	1757.5	2053.9	2149.7 (22/5)	1676.2 (26/8)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	78.7	80.3	82.4	82.5	82.4	158.1	160.6 (10/1)	78.7 (26/8)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2285.0	2281.0	2311.1	2365.7	2359.4	2624.2	2737.8 (11/5)	2281.0 (25/8)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1037.41	1029.56	1050.49	1077.88	1071.32	1184.81	1248.79 (11/5)	1029.56 (25/8)	1248.79 (11/5/92)	938.62 (16/1/91)
●Ord Div Yield	5.33	5.31	5.22	5.10	5.11	4.62				
●Earning Yld %(full)	7.74	7.72	7.56	7.39	7.40	7.53				
●P/E Ratio(Net)(*)	16.33	16.37	16.71	17.09	17.08	16.56				
SEAQ Bargns 5.00pm	17,228	19,218	18,919	23,298	19,692	26,858				
Equity Turnover(£m)†	-	1103.8	666.6	832.8	822.7	983.7				
Equity Bargains†	-	20,803	20,280	25,018	21,770	27,227				
Shares Traded (ml)†	-	488.0	282.6	387.6	376.1	369.0				

Basis 100 Govt. Secs 15/10/26, Fixed int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Base 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 15.20.

Ordinary Share Index, Hourly changes Day's High 1687.7 Day's Low 1669.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1687.1	1687.3	1679.0	1670.5	1672.8	1672.8	1672.7	1669.1	1673.1

FT-SE 100, Hourly changes Day's High 2292.8 Day's Low 2273.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2290.5	2291.8	2286.1	2277.6	2279.1	2279.3	2279.6	2274.2	2281.0

FT-SE Eurotrack 200, Hourly changes Day's High 1040.62 Day's Low 1034.95

Open	10.30 am	11 am	12 pm	1 pm	2 pm	3 pm
1038.99	1037.46	1036.15	1036.57	1037.04	1037.16	1038.15

GILT EDGED ACTIVITY

Indices*	Aug 25	Aug 24
Gilt Edged Bargains	98.7	73.8
5-Day average	78.2	73.2

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share Index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	40	540	+20	Comm Union	1,200	448	-2	Lonrho	1,800	89	-1½	Shell Transport	1,400	457	+5
ASDA Group	8,700	24½	+½	Cookson	1,700	123	-3	Lucas	879	92	-3	Siebe	845	588	-17
Abbey National	2,100	258	+3	Courtaulds	373	421	-8	MB Caradon	669	226	-1	Slough Ests	791	88	
Albert Fisher	5,100	32		Dalgety	1,200	378	+6	MEPC	219	225	+4	Smith (W.H.) A	2,800	376	+15
Allied Lyons	1,300	556	-4	De La Rue	47	532		Manweb	950	363	+5	Smith & Nephew	1,000	129	+1½
Amstrad	2,800	21		[illegible]	846	180½	-½	Marks & Spencer	2,800	287	+6	SmKl Beecham	1,200	447	-2
Anglian Water	767	445	+2	Eastern Elect	1,100	294	+1	Midlands Elect.	1,400	339	+1	SmKl Beecham Uts.	117	405	-2½
Argos	329	223	-5	East Midland Elect	1,500	314	+5	NFC	457	230	+½	Smiths Inds.	409	275	+1
Argyll Group	1,600	326	+2	Eng China Clays	304	442	-8	NatWest Bank	2,100	301	-1	Southern Elect.	1,000	334	-4
Arm Wiggins	510	208		Enterprise Oil	709	348	-8	National Power	518	206	+5	South Wales Elect.	83	383	+1
[illegible]				[illegible]				[illegible]				[illegible]			
Brit. Aerospace	352	202	-1	IMI	270	231	+2	Rolls Royce	2,500	130	-2½	Utd. Newspapers	22	363	-1
British Airways	1,500	228		ICI	833	1067	-7	Rothmans	700	501	-7	Vodafone	1,600	296	+3
British Gas	2,800	239	+1½	Inchcape	88	380	+3	Ryl Bk Scotland	1,300	146		Warburg (SG)	118	411	-3
British Land	61	150	+2	Kingfisher	1,100	422	-1	Royal Insurance	660	149	+1	Wellcome	2,400	782	-10
British Steel	17,000	48½	-½	Kwik Save	127	639	-2	Saatchi	215	133	-2	Welsh Water	340	488	+5
Bunzl	16	84		Ladbroke	8,400	130	-3	Sainsbury	2,500	445	-3	Wessex Water	868	623	-1
Burmah Castrol	164	561	-1	Land Securities	1,600	357	+2	Scottish & New.	250	419	+2	Whitbread 'A'	968	376	-1
Burton	2,200	31½	+1	Laporte	1,300	437		Scot. Hydro-Elect.	1,000	206	+2	Williams Hldgs.	743	233	-5
Cable & Wire	939	493		Legal & General	1,100	291	+3	Scottish Power	3,900	187	-1	Willis Corroon	787	147	+3
Cadbury Schweppes	962	437	-5	Lloyds Abbey	24	300	+2	Sears	2,700	65	-½	Wimpey	88	94	-2
Calor Group	164	173	+2	Lloyds Bank	767	392		Sedgwick	3,500	109	+8	Wolseley	475	318	-1
Carlton Comms	360	541		LASMO	3,300	129	-5	Seeboard	698	327	+2	Yorkshire Elect.	493	371	+4
Coats Viyella	420	156	+2½	London Elect	1,200	315	+5	Severn Trent Water	2,000	423		Yorkshire Water	300	488	+4

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down

EQUITY FUTURES AND OPTIONS TRADING

TRADING IN the futures market was again dominated by worries over sterling and the possibility of an increase in UK interest rates, writes Christopher Price.

The September contract opened weakly at 2,293 as dealers and investors reflected on the chancellors' early morning speech. A small squeeze sent the contract forward and September reached its high of the day of 2,305 by 9am. It continued to hold up as sterling steadied, but a story that one German city had reported a rise in its monthly inflation sent September into retreat, reaching 2,280 by midday. Pressure on sterling, weak gilts and renewed gloom over the UK economy combined to weaken September throughout the afternoon session, the contract crumbling to 2,275, its low of the day, by 3pm. However, a firmer Wall Street helped inspire a rally towards the end. September closed at 2,292, up 7 on the previous session's close and around a 4-point premium to its fair value of 5.5. Volume was 11,580 contracts.

There was a second consecutive day of hefty trading in the options market, with the FT-SE 100 scoring 10,146 out of a total of 34,378. Asda was the top-traded stock option with 7,506 contracts dealt.

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Wed Aug 26 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Aug 25 Index No.	Mon Aug 24 Index No.	Fri Aug 21 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (175)	687.24	-0.9	8.59	6.51	14.92	21.54	693.24	700.84	716.98	858.68
2	Building Materials (23)	686.69	-2.7	7.91	8.06	17.14	27.19	706.09	711.31	739.75	1108.02
3	Contracting, Construction (27)	547.70	-1.5	6.40	10.90	34.04	25.52	556.15	562.09	581.85	1165.94
4	Electricals (9)	2047.11	-0.5	8.04	7.34	16.06	73.60	2056.70	2094.25	2157.72	2453.96
5	Electronics (27)	1876.61	....	8.59	4.59	14.51	46.26	1875.88	1872.67	1894.31	1751.88
6	Engineering-Aerospace (6)	292.82	-0.9	12.44	8.90	10.17	11.27	295.35	298.31	305.94	410.47
7	Engineering-General (43)	418.31	-0.7	9.81	5.75	12.95	12.65	421.11	424.29	433.43	480.15
8	Metals and Metal Forming (7)	259.51	-0.6	6.61	8.49	22.10	7.30	260.98	266.45	272.31	451.96
9	Motors (14)	286.75	-1.5	9.37	8.22	14.05	12.80	291.11	295.77	303.75	358.99
10	Other Industrial Materials (19)	1509.52	-0.4	8.22	5.49	14.63	38.28	1515.21	1542.93	1570.77	1643.76
21	CONSUMER GROUP (191)	1446.37	....	8.46	3.98	14.50	28.02	1446.17	1468.61	1500.35	1553.30
22	Brewers and Distillers (25)	1837.13	....	9.05	3.98	13.33	37.45	1838.08	1890.35	1922.63	1889.63
25	Food Manufacturing (19)	1092.13	-0.2	9.88	4.84	12.52	26.54	1094.58	1109.12	1131.84	1214.98
26	Food Retailing (18)	2596.39	....	9.40	3.51	13.87	47.40	2595.10	2603.40	2644.02	2647.60
27	Health and Household (24)	3648.63	-0.2	7.61	2.93	14.97	42.46	3655.38	3714.32	3818.73	3719.07
29	Hotels and Leisure (18)	956.60	-1.3	8.40	7.16	15.47	38.02	969.67	982.88	1005.42	1360.67
30	Media (27)	1380.63	+0.3	7.33	3.82	16.99	29.64	1376.55	1383.43	1407.14	1488.26
31	Packaging, Paper & Printing (17)	698.60	-0.4	7.42	4.73	16.30	16.15	701.53	701.83	713.66	766.92
34	Stores (34)	916.64	+1.1	8.27	4.08	15.95	17.01	907.08	923.95	946.33	1014.10
35	Textiles (9)	554.93	+0.5	8.74	5.59	14.25	15.02	551.94	560.72	574.61	610.01
40	OTHER GROUPS (117)	1174.58	+0.1	10.57	5.78	11.82	37.04	1172.86	1181.26	1202.28	1277.98
41	Business Services (17)	1193.49	....	7.15	4.34	17.08	21.45	1192.87	1201.93	1224.79	1399.93
42	Chemicals (22)	1249.73	-0.4	7.86	5.82	15.79	45.85	1254.66	1280.29	1305.83	1477.49
43	Conglomerates (10)	1096.97	+0.1	10.43	10.02	12.29	37.23	1095.77	1097.18	1140.61	1506.32
44	Transport (14)	2133.26	-0.3	9.38	5.53	13.11	55.92	2139.35	2174.25	2224.39	2309.25
45	Electricity (16)	1358.88	+0.7	14.92	5.40	8.53	44.58	1348.88	1334.39	1338.31	1224.75
46	Telephone Networks(4)	1358.93	+0.5	11.12	4.86	11.72	46.15	1352.29	1370.68	1403.59	1535.41
47	Water(11)	2963.70	+0.4	15.12	5.84	7.32	86.85	2950.79	2918.72	2921.61	2374.30
48	Miscellaneous (23)	1863.71	-0.4	7.13	5.42	17.60	54.03	1871.19	1890.10	1907.64	1943.77
49	INDUSTRIAL GROUP (483)	1169.75	-0.1	9.18	5.00	13.55	29.75	1170.86	1184.88	1209.30	1296.47
51	Oil & Gas (17)	1785.40	+0.6	7.64	7.14	17.11	69.56	1774.09	1788.51	1827.64	2461.69
59	500 SHARE INDEX (500)	1228.86	....	9.02	5.22	13.84	32.95	1229.13	1243.38	1269.16	1396.19
61	FINANCIAL GROUP (84)	637.82	+1.1	-	6.93	-	26.05	631.13	639.72	660.18	832.97
62	Banks (9)	864.91	+1.9	7.41	6.37	19.45	36.70	848.82	859.95	890.26	983.92
65	Insurance (Life) (6)	1331.06	-0.3	-	6.70	-	45.47	1335.57	1357.87	1391.83	1596.69
66	Insurance (Composite) (7)	428.97	+0.1	-	7.30	-	15.81	428.51	436.04	454.64	648.59
67	Insurance (Brokers) (10)	539.53	+2.3	13.17	10.15	9.96	39.26	527.43	535.33	562.23	1169.21
68	Merchant Banks (7)	398.71	-0.4	-	5.42	-	12.37	400.24	397.99	400.59	439.54
69	Property (30)	497.74	+0.4	12.13	9.18	11.05	21.34	495.64	504.05	515.99	932.79
70	Other Financial (15)	216.32	-0.5	8.50	8.00	15.93	6.63	217.39	219.45	221.31	261.56
71	Investment Trusts (70)	1028.04	+0.4	-	4.37	-	24.24	1024.12	1035.36	1055.69	1234.05
99	ALL-SHARE INDEX (654)	1087.44	+0.1	-	5.41	-	30.86	1086.13	1098.98	1123.24	1259.10

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Aug 25	Aug 24	Aug 21	Aug 20	Aug 19	Year ago
FT-SE 100 SHARE INDEX☆	2285.0	+4.0	2292.8	2273.9	2281.0	2311.1	2365.7	2359.4	2363.5	2624.2

FIXED INTEREST

	PRICE INDICES	Wed Aug 26	Day's change %	Tue Aug 25	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	120.14	-0.08	120.24	2.06	8.49
2	5-15 years (25)	134.11	-0.46	134.73	1.60	9.45
3	Over 15 years (8)	146.09	-0.61	146.99	1.98	8.14
4	Irredeemables (6)	164.75	-0.51	165.60	2.35	8.48
5	All stocks (61)	132.35	-0.37	132.84	1.81	9.13
	Index-Linked					
6	Up to 5 years (2)	169.85	-0.08	170.00	0.09	3.25
7	Over 5 years (10)	145.86	-0.38	146.42	0.64	3.33
8	All stocks (12)	148.00	-0.34	148.50	0.56	3.29
9	Debs & Loans (62)	117.00	-0.92	118.09	1.87	8.26

	AVERAGE GROSS REDEMPTION YIELDS		Wed Aug 26	Tue Aug 25	Year ago (approx.)
	British Government				
1	Low	5 years	9.08	9.03	8.95
2	Coupons	15 years	9.09	9.04	9.67
3	(0%-7¾%)	20 years	9.09	9.04	9.67
4	Medium	5 years	9.87	9.80	10.02
5	Coupons	15 years	9.35	9.27	9.86
6	(8%-10¾%)	20 years	9.23	9.17	9.81
7	High	5 years	10.11	10.02	10.20
8	Coupons	15 years	9.58	9.49	9.97
9	(11%-)	20 years	9.43	9.36	9.87
10	Irredeemables†		9.29	9.24	9.86
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.50	4.46	3.85
12	Inflation rate 5%	Over 5 yrs.	4.66	4.63	4.32
13	Inflation rate 10%	Up to 5 yrs.	3.72	3.68	2.87
14	Inflation rate 10%	Over 5 yrs.	4.47	4.44	4.13
15	Debs &	5 years	11.07	10.90	11.65
16	Loans	15 years	10.73	10.59	11.38
17		25 years	10.55	10.44	11.19

Opening index 2290.5; 9 am 2291.8; 10 am 2286.1; 11 am 2277.6; Noon 2279.1; 1 pm 2279.3; 2 pm 2279.6; 2.30 pm 2278.1; 3 pm 2274.2; [illegible] (a) 9.03am (b) 3.05pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 3rd Floor, Number One, Southwark Bridge, London SE1 9HL. Tel: 071-873 4613.

NEW HIGHS AND LOWS FOR 1992

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
13½pc 1992		[illegible]		102⅛	100	13.46	-
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		103¼	[illegible]	107	101	10.17	9.79
Conversion 10¼pc 1999		102	[illegible]	106	100	10.03	9.78
9pc 2000		96 xd	[illegible]	100	94⅝	9.28	9.58
Treas 13pc 2000		116	-½	121⅛	114	11.19	9.95
10pc 2001		101⅞	[illegible]	108¼	99	9.82	9.64
[illegible]							

BRITISH FUNDS - Cont.

Index - Linked	Notes	Price £	+ or -	1992 high	1992 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	126	[illegible]	127⅝	122⅛	2.78	4.32
2pc '96	(67.9)	180¼ xd	[illegible]	184¼	176⅛	3.88	4.55
2½pc '01	(78.3)	142½ xd	-¼	148	142	4.54	4.88
[illegible]							

OTHER FIXED INTEREST

[illegible]

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CORRECTION

NOTICE OF REDEMPTION
SALOMON INC
MEDIUM-TERM NOTES, SERIES B
FIXED RATE

NOTICE IS HEREBY GIVEN that Salomon Inc, a Delaware corporation, will redeem as of September 21, 1992 (the "Redemption Date") its Yen 3 billion, 6.3% Medium-Term Notes, Series B due September 21, 1995 (the "Yen Notes"). [illegible]

Citibank, N.A.
Corporate Trust
111 Wall Street
London EC2R 8DB

DATED: August 17, 1992

SALOMON INC
By: Citibank, N.A., As Trustee

This notice appears as a matter of record, in correction of the Notice of Redemption relating to the Yen Notes previously published.

LONDON SHARE SERVICE

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ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

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INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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INVESTMENT TRUSTS - Cont.

	Notes	Price	+or-	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	†	147	—	178	147	4.8	178.1	17.8
Warrants		22	—	38	22	—	—	—
Scot Mortgage		137	+1	167	136	2.8	160.8	15.0
Scot National Inc		68½xd	+½	107	67½	17.2	—	—
Cap		17	—	42	12½	—	—	—
Stepped Pf	†	136¼	—	142	128	8.8	—	—
Zero Div Pf		185½	-½	187½	166½	—	—	—
Warrants		3½	—	[illegible]	3	—	—	—
Scot Value	tz	58½	-1	64	48	4.1	56.4	-5.6
Sec Alliance	†	1078	+5	1288	1066	4.2	1214.9	11.5
Second Market	‡	227	—	244	222	4.8	274.8	17.8
Sec Tst Scot		82	—	78½	61½	7.0	83.4	2.3
Select Assets		78½	—	102½	78½	1.8	115.2	31.9
Eq Ind Sert		108	+1	123	107	8.2	—	—
Eq Ind Serts		108	+1	123	107	8.2	—	—
Shires		188	—	248	165	12.2	198.5	-0.4
11pc Cv Ln '03/04		£97½xd	—	£111½	£95½	11.8	—	—
Sterling Select		68xd	—	91	68	0.6	89.0	23.6
Warrants		10	—	21	10	—	—	—
Smaller Cos		68	—	85	67	4.9	79.8	15.2
Warrants		11	—	28	10	—	—	—
Somerset Tst		122	—	148	55	—	78.8	-54.9
Sphere Inc	N	15	—	20	9½	41.3	10.7	11.1
Zero Div Pf		66¼	-½	77½	65½	—	—	—
Summit		30	-1	55	30	9.6	91.6	66.7
TR City of Lon		98½	+½	127½	97½	6.3	99.4	-1.1
TR Euro Growth		72	—	90	72	2.8	88.6	18.8
Ptg Sub		35	—	54	35	6.3	—	—
TR Far East Inc	M	82xd	+2	90	78	7.2	86.9	6.8
Warrants		16	—	22	12	—	—	—
TR High Inc		94	—	116	91	8.6	93.8	0.2
Sub	0	22½	—	35	21	8.8	—	—
TR Pacific	‡	71	+1	88	70	8.6	82.1	13.5
TR Prop		15	—	33	15	13.9	28.8	43.7
TR Smaller		104	+1	152	103	4.7	122.4	16.6
TR Technology		18	—	37	18	13.8	46.7	61.5
Stepped Pf		88	—	102¼	89¼	7.4	—	—

INVESTMENT COMPANIES

MEDIA

MEDIA - Cont.

MERCHANT BANKS

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MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

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STORES

STORES - Cont.

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TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

‡ Indicated dividend yield, p/e ratio based on latest annual earnings.
a Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.

official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071 – 379 – 0444.

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Stewart Ivory Unit Tst Mgrs Ltd (1200)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	238 2	238 2	253 4	...	0.95
(Accum Units) ♥	5	280.4	280.4	298 3	...	0.95
British	5	727.3	744.1	787 3	-2.0	6 84
(Accum Units)	5	1219 7	1247.9	1320 3	-3.9	6.84
European	5	321.6	321.6	342.5	-3.2	1.41
(Accum Units)	5	348 6	348 6	371 3	-3.4	1.41
Japan	5	82.32	82.32	87.52	-0.06	-
(Accum Units)	5	82 98	82 98	88 22	-0.06	-
New Pacific	5	181.0	181.8	193.6	+2.8	1.82
(Accum Units)	5	188.1	188.9	201 2	+3 0	1 82
Smaller Cos Aug 21	5	123.2	125.9	133.5	-3.2	2.30
Mngd Equity	5	113 7	114.9	121.6	-0 3	2.23
(Mngd Equity Acc)	5	123 0	124.3	131.6	-0 5	2.23
Mngd Gilt	0	96 39	96.39	96.39	...	9.46
(Accum Units)	0	123 2	123.2	123.2	...	9.46
Majority Stlg	1	100 53	100 53	101.34	+0 02	9.23
Majority Stlg Acc	1	113.40	113.40	114 54	+0.03	9.23

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries. 0277 227300 Dealing 0277 261010

International Aug 14	0	47.43	47.43	47.78	...	0.88

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Admin. 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries 0277 227300 Dealing 0277 690300

Equity	6	982 5	959 2	998 1	...	3.44
North America	6	70 46	71 42	76.38	-0 15	0 87
Far East	6	73.16	74.05	79.20	+0.06	0.57
W'wide Bond	6	47 10	47 17	50.18	-0 01	6 14
European	6	61.31	61 77	66.06	-0.28	1.57
Equity Income	6	61 25	62.05	66.36	+0.16	5.61
Portfolio	6	51.50	51.50	55 08	+0.15	2.04
UK Leading Cos	6	39.61	40.17	42.73	+0.08	3.48
Broker Trusts						
Intnl Equity	6	39.57	40 07	42.86	-0.41	1.18

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 525725

Lazard Investors Ltd

	Bid Price	Offer Price	+ or -	Yield Gros
Exempt Funds				
Small Co's Aug 26	£3297.5	3467.8	-47.20	3.92
European Aug 26	£337.3	342.9	-17.20	2.10
American Aug 26	£306 0	308.7	-18.20	1 96
Japan Aug 26	£354.3	359.7	+19.50	1.01
Pacific Aug 26	£123 6	126 4	-5.00	1.38
W Midlands Jul 31	£119.30	139 90	...	2.64

Local Authorities Mutual Invest. Tst.*
2 Fore Street, London EC2Y 5AQ 071-588 1815

Property Jul 31	189.30	193.30	...	8.20
Equity Jul 31	824 74	836 10	...	4.00

*Available only to Local Authorities

M & G Securities Ltd

Charibond Aug 25		101 47xd	-0 5	10 58
(Accum Units)		650.52	-2 8	10.58
NAACIF Aug 25		38.25xd	-0.8	9.78

Morgan Grenfell Investment Funds Ltd

Exempt Funds				
UK Equity † Aug 25	117 0	124.0	...	2.17
UK Small Co † Aug 25	432 0	476.9	...	4.21
Fixed Interest † Aug 25	110 6	116.3	...	8.60
US Small Co Aug 25	131 1	141.2	...	4 00
Managed Aug 25	98.35	105.3	...	3.80
Intl Bond Aug 25	123.5	130.3	...	9.88
Japan Aug 25	53 10	56.60	...	3.62
European Aug 25	84 44	90.63	...	1 83
Nth American Aug 25	97.16	104 5	...	1.50

Morgan Stanley International

UK Exempt	906.27	929.15	...	-
Overseas Exempt	914.99	942.86	...	-

Murray Johnstone UT Mngmt

Murray Exempt Funds				
American Exempt	46.24	48.05xd	-0.02	1.87
European Exempt	44.65	46 04xd	-0.31	3.29
Fixed Int Ex Aug 26	46 90	47.26	-0.08	9.65
Japan Exempt	31.09	32.06	+0 11	0.87

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Pearl Assurance (Unit Funds) Ltd
Lynch Wood, Peterborough PE2 6FY 0733 470470

	Bid Price	Offer Price	+ or −	Yield Gross
Property Dist. (Gross)	134 7	141 8		–
Property Acc. (Gross)	256 7	270 2		–
Equity (Gross)	785 2	826 5	-5 9	–
Managed (Gross)	564 0	593 7	-3.8	–
Property Acc. (Net)	122 8	129 2		–
Equity (Net)	183 9	193 6	-1 2	–
Adventurous Managed	86 1	90 6	-0 8	–
Managed (Net)	174 6	183 8	-1 1	–
Cautious Managed	95 6	100 6	-0 2	–
International (Net)	148 5	156 4	-0 2	–
Gilt & Fixed Interest	140 1	147 5	-0 8	–
Income Fund	141 3	148.7		–
Mixed Fund (Cap)	110 3	116 2		–
Mixed Fund (Acc)	115 1	121 2		–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	607 8	639 8	-4 3	–
Ret Man (Series 2)	206.1	217.0	-1.5	–
Ret Cash	200 0	210 5		–
Pens Mixed Fd (Cap)	121.4	127 8		–
Pens Mixed Fd (Acc)	126 6	133.3		–
Pens Stlg Fd (Cap)	104 5	110 0		–
Pens Stlg Fd (Acc)	109 0	114 8		–

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or −	Yield Gross
American	116 0	123.0	-1.0	–
Building Soc. Fd.	225 0	237 0		–
Balanced	246.0	259.0	-1.0	–
European	194.0	205 0		–
GT Managed	167 0	176 0		–
Gartmore Mngd	110 0	116 0	-2.0	–
German	121.0	128.0		–
Gilt	164 0	173.0	-1.0	–
Global	34.0	36 0		–
International Equity	174 0	184 0		–
Japan	137 0	145.0	+1.0	–
Leisure	47.0	50.0		–
Managed	38 0	40.0		–
Property	302.0	318 0		–
UK Equity	221 0	233.0		–
Pension Funds				
American	229 0	242.0		–
Building Soc. Fd.	242 0	256 0		–
Balanced	207.0	218 0	-1.0	–
Eurobain	214.0	226 0		–
German	121 0	128.0	+1.0	–
Gilt	158 0	167 0	-1.0	–

Provident Mutual Life Assc. Assn.—Contd.

	Bid Price	Offer Price	+ or −	Yield Gross
Pension Funds				
Managed Ord.	428.7	451.3	+0 7	–
Managed Init.	311.2	327 6	+0.4	–
Equity Ord.	645 9	679 9	+1.5	–
Equity Init.	468 8	493 5	+1	–
Pen Ind Lkd Gilt Ord	182 8	192 4	-1 3	–
Pen Ind Lkd Gilt Init.	138.6	145 9	-0 9	–
Overseas Equity Ord.	265 7	279 7	+2	–
Overseas Equity Init.	192.9	203.1	+1 5	–
Property Ord	282.1	296 9	+0 1	–
Property Init.	204.8	215 6		–
Fixed Interest Ord	288 5		-1 6	–
Fixed Interest Init	209 4	220 4	-1 2	–
Deposit Ord.	272.7	287 1	+0.2	–
Deposit Init.	197 9	208 3		–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

	Bid Price	Offer Price	+ or −	Yield Gross
Prufund				
Managed Aug 26	237.3	247.2	-4.6	–

Prudential Corporate Pension Funds
1 Stephen St, London W1P 2AP 071-548 3281

	Bid Price	Offer Price	+ or −	Yield Gross
Prudential Managed Funds				
Discretionary Aug 12	£173.67	179.16		–
Equity Aug 12	£198.25	205 03		–
International Aug 12	£24 29	24.95		–
Intl Bond Aug 12	£14.26	14 44		–
Fixed Int Aug 12	£106.15	107.35		–
Index Linked Aug 12	£75 48	76.44		–
Property Aug 12	£110.22	116.20		–
Cash Aug 12	£31.2105	31.2105		–
Pre-Linked Retirement Plan				
Managed Aug 25	404.4	421.3	-13.7	–
Cash Aug 25	287.0	299.0	+0 6	–
Prudential Pensions Investment Account				
Pens Mngd Aug 27	162.4	174 6	+0.3	–
Pens UK Eq Aug 27	282.5	304.7	+0.6	–
Pens Intl Aug 27	174.3	186.9	+1.0	–
Pens Global Eqty Aug 27	89 2	93 9	+0.3	–
Pens Fixed Aug 27	237.7	251.0	-1.2	–
Pens Index Lk Aug 27	189 2	199.9	-1.8	–
Pens Property Aug 27	90.0	94 8		–
Pens Cash Aug 27	187 3	197.3	+0.1	–
Money Purchase Plan				
Discretionary Aug 26	90.4	97 1	-0 9	–
Equity Aug 26	93 8	100.8	-1 2	–
International Aug 26	75.5	80 7	-0.8	–
Global Equity Aug 26	89.0	94.4	-1.1	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit [illegible] and 48p/min[illegible] Is charged at 36p/minute cheap rate [illegible] ust Code Booklet ring (071) 925-2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Gartmore Fund Managers (IoM)						
PO Box 32 Douglas, IoM 0624 627610						
Intl Grth	5¼	437.7	437.7	469.2	+2.3	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd						
PO Box 52 Athol St Douglas IoM 0624 661020						
L J. International	5¼	82.75	82.75	88.97	-0.57	–
Mercury Fund Managers IoM Ltd						
11 Hill Street, Douglas IoM 0624 662255						
Merc IoM Fund	5	94.67	94.67	101.0	-0.6	6.6
Merc Intl Bond	5	49.88	49.88	52.44	-0.21	8.3
Sun Life Management (IoM) Ltd						
PO Box 178, Douglas, IoM 0624 622444						
Secure High Income	6	[illegible]	1.0290	1.1031	[illegible]	[illegible]
Unibank Scandinavian Fund Ltd						
19-21, Circular Rd, Douglas, IoM 0624 629420						
Scandinavia Fd	5	–	116.05	122.57	....	1.0

ISLE OF MAN (REGULATED)(**)

	Bid Price	Offer Price	+ or -	Yield Gross
ATC Fund Management (SG) Ltd				
SG International	$10.72		.....	–
Appleton Financial Advisers Ltd				
Appleton Capital Trust	95.0	101.0		–
CMI Fund Mngrs (IOM)				
Traders Fund Ltd #*	$16.96	18.53	+0.0006	–
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
[illegible]	0.58	0.66	-0.03	0.00
[illegible]	$1.12	1.28	-0.11	0.00
[illegible] Reserve Assets	103	103	.....	2.62
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	112.6	118.5	.....	3.4
DL International	$1.43	1.51	.....	2.3
Equity & Law International Fund Mgs Ltd				
European Equity	139.26	146.57	-2.08	–
Far Eastern Equity	$2.1153	2.2263	-0.0018	–
North Amer Equity	$1.6435	1.7297	-0.0399	–
UK Equity	144.70	152.20	-3.10	–
Global Equity	98.64	103.81	-2.02	–
UK Gilt & Fxd Int	98.83	104.01	-0.35	–
Dollar Deposit		50.9804		–
Sterling Deposit		£100.75	+0.02	–
Managed Currency	88.44	93.08	-0.33	–
Gartmore Fund Managers (IoM)				
Intl Inc *	14.2	15.1	-0.1	12.0
* Projected Yield				
John Govett Management (IoM) Ltd				
[illegible] Aug 21		$16.95	.....	–
Paragon Plus Red Aug 5		18.96	.....	–
Paragon Stg Red Aug 5		£10.21	.....	–

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Small rise for sterling

STERLING gained ¾ of a pfennig against the D-Mark yesterday, following the Bank of England's most aggressive intervention on the foreign exchanges since 1986, *writes James Blitz.*

After an extraordinary day of trading on the sterling/D-Mark cross, the pound closed fractionally up against the German currency at DM2.7950, nearly two pfennigs above its floor against the D-Mark in the Exchange Rate Mechanism.

Some dealers estimated that the Bank had bought around £1bn in sterling in the morning, more than has been spent in any previous daily interventions to support the dollar by the world's central banks. But many believed that the UK authorities still face the possibility of having to raise interest rates.

In the first hours of London trading, the pound was supported by a statement from the UK Chancellor that there would be no devaluation. Aggressive intervention followed.

The pound rose above the DM2.7900 level, but then fell back sharply after a Bundesbank council member said that a realignment of the ERM was possible. The statement was successfully countered by the UK Chancellor and European government officials. But sterling's gyrations illustrated the currency market's nervousness.

Can sterling weather the crisis? Mr Julian Simmonds, head of foreign exchange trading at Citibank in London, thinks it can. "When sterling hits its floor, the Bank will be supported by the Bundesbank and other central banks coming in to buy it," he said. He also believes that the slowdown in the German economy, should encourage lower interest rates.

Another respected forex dealer said an interest rate rise, or even devaluation, could happen. "Politically, a devaluation is not much more difficult than a rate rise," he said. "And I have a feeling it's being considered. I can't otherwise explain why rates have not yet been raised and intervention is coming so late."

Mr Jim O'Neill, chief economist at Swiss Bank Corporation in London, believes the pound is suffering from a fundamental restructuring of currency portfolios by pension funds. "A few institutions are now hedging themselves against the possibility that there will be a realignment," he said

The dollar held its ground against the D-Mark despite a larger-than-expected fall in US durable goods orders by 3.4 per cent. It fell nearly ½ a pfennig in early US trading on the news but closed at DM1.4065 in London.

According to Jim O'Neill, central banks missed a good opportunity to rally the dollar through intervention as the Swiss franc lost ground in the morning.

£ IN NEW YORK

Aug. 26	Latest	Previous Close
£ Spot	1.9865-1.9875	1.9875-1.9885
1 month	1.26-1.25pm	1.24-1.23pm
3 months	3.65-3.61pm	3.58-3.56pm
12 months	12.8-12.7pm	12.8-12.7pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Aug. 26	Previous
8.30 am	92.2	92.4
9.00 am	92.3	92.3
10.00 am	92.4	92.3
11.00 am	92.2	92.3
Noon	92.2	92.3
1.00 pm	92.2	92.3
2.00 pm	92.2	92.3
3.00 pm	92.3	92.3
4.00 pm	92.3	92.3

CURRENCY MOVEMENTS

Aug 26	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.3	-19.9
U.S Dollar	58.8	-20.2
Canadian Dollar	97.8	-3.2
Austrian Schilling	112.1	+13.5
Belgian Franc	114.3	-0.1
Danish Krone	112.1	+5.7
D-Mark	122.9	+28.5
Swiss Franc	111.3	+20.0
Dutch Guilder	117.5	+18.5
French Franc	106.5	-10.6
Lira	100.4	-19.2
Yen	136.6	+73.8
Peseta	107.9	-18.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Aug 25

CURRENCY RATES

Aug 26	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.742577	0.726154
U.S Dollar	3.00	1.47810	1.44272
Canadian $	5.50	1.75776	1.71569
Austrian Sch.	7.50	14.6184	14.2671
Belgian Franc	8.50	42.8095	41.7705
Danish Krone	9.50	8.03273	7.84553
D-Mark	8.75	2.09192	2.02703
Dutch Guilder	8.50	2.34220	2.28542
French Franc	10¼	7.09192	6.91786
Italian Lira	13.75	1585.27	1548.84
Japanese Yen	3.25	184.171	180.124
Norway Krone	–	8.21898	8.02804
Spanish Peseta	–	134.813	131.647
Swedish Krona	10.00	N/A	7.41199
Swiss Franc	7.00	1.83580	1.81278
Greek Drach.	19	N/A	252.260
Irish Punt	–	N/A	0.767978

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations * All SDR rates are for Aug.25

OTHER CURRENCIES

Aug 26	£	$
Argentina	1.9680 - 1.9710	0.9900 - 0.9910
Australia	2.7820 - 2.7840	1.3965 - 1.3975
Brazil	9815.85 - 9821.20	4937.30 - 4937.50
Finland	7.6845 - 7.7085	3.8700 - 3.8730
Greece	344.850 - 350.400	173.820 - 176.600
Hong Kong	15.3535 - 15.3675	7.7285 - 7.7295
Iran	2800.00*	1430.00*
Korea(Sth)	1554.60 - 1579.65	785.40 - 791.60
Kuwait	0.57830 - 0.57930	0.29100 - 0.29130
Luxembourg	57.60 - 57.70	29.00 - 29.10
Malaysia	4.9410 - 4.9535	2.4910 - 2.4920
Mexico	5964.30 - 5977.25	3080.25 - 3081.25
N.Zealand	3.6670 - 3.6720	1.8450 - 1.8475
Saudi Ar	7.4245 - 7.5015	3.7495 - 3.7505
Singapore	3.1785 - 3.1860	1.5990 - 1.6000
S.Af (Cm)	5.4465 - 5.4590	2.7415 - 2.7435
S.Af (Fn)	7.4720 - 7.5135	3.7595 - 3.7805
Taiwan	49.90 - 50.00	25.10 - 25.20
U.A.E.	7.2695 - 7.3470	3.6715 - 3.6735

*Floating rate. Iran Official rate £121.20 $63.00

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 26	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	131.647	-1.48	5.77	24
D-Mark	2.05586	2.02703	-1.40	5.68	56
Belgian Franc	42.4032	41.7705	-1.49	5.78	46
Dutch Guilder	2.31643	2.28542	-1.34	5.61	40
Portuguese Escudo	178.735	176.387	-1.31	5.58	20
Danish Krone	7.84195	7.84553	0.05	4.15	-26
Irish Punt	0.767417	0.767978	0.07	4.12	-27
French Franc	6.89509	6.91786	0.33	3.85	-47
Italian Lira	1538.24	1548.84	0.69	3.48	-60
Sterling	0.696904	0.726154	4.20	0.00	-82

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. Six-month forward dollar 6.83-6.78pm. 12 Month 12.85-12.75pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Aug 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]						

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Aug 26	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]						

EXCHANGE CROSS RATES

Aug.26	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.987	2.795	248.2	9.527	2.502	3.150	2134	2.366	57.65	181.7	1.382
$	0.503	1	1.407	124.9	4.795	1.259	1.585	1074	1.191	29.01	91.44	0.696
DM	0.358	0.711	1	88.80	3.409	0.895	1.127	763.5	0.847	20.63	65.01	0.494
YEN	4.029	8.006	11.26	1000.	38.38	10.08	12.69	8598	9.533	232.3	732.1	5.568
F Fr.	1.050	2.086	2.934	260.5	10.	2.626	3.306	2240	2.483	60.51	190.7	1.451
S Fr.	0.400	0.794	1.117	99.20	3.808	1	1.259	852.9	0.946	23.04	72.62	0.552
N Fl.	0.317	0.631	0.887	78.79	3.024	0.794	1	677.5	0.751	18.30	57.68	0.439
Lira	0.469	0.931	1.310	116.3	4.464	1.172	1.476	1000	1.109	27.01	85.15	0.648
C$	0.423	0.840	1.181	104.9	4.027	1.057	1.331	901.9	1	24.37	76.80	0.584
B Fr.	1.735	3.447	4.848	430.5	16.53	4.340	5.464	3702	4.104	100.	315.2	2.397
Pta	0.550	1.094	1.538	136.6	5.243	1.377	1.734	1174	1.302	31.73	100.	0.761
Ecu	0.724	1.438	2.022	179.6	6.894	1.810	2.279	1544	1.712	41.71	131.5	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100

FINANCIAL FUTURES AND OPTIONS

[illegible]

Estimated volume 13347 (21993)
Previous day's open int. 51408 (48594)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth
1.9870	1.9746	1.9511	1.9190	1.8590

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
104	-	2.10	-	0.05	1.12	-
105	0.06	1.54	2.09	0.45	1.52	1.64
106	-	1.05	1.60	1.38	2.02	2.07
107	0.01	0.70	-	2.37	-	-
108	-	0.42	-	3.37	-	-
Open Int	156,835	246,871	44,336	103,821	124,054	29,030

Estimated volume 42,495 † Total Open Interest 704,946
† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Dao Heng Bank Plc	11	Mount Banking	10
● Henry Ansbacher	10	Duncan Lawrie	10	NatWestminster	10
B & C Merchant Bank	10.5	Equatorial Bank plc	10	Northern Bank Ltd	10
Bank of Baroda	10	Exeter Bank Limited	10.5	Nykredit Mortgage Bank	10.5
Banco Bilbao Vizcaya	10	Financial & Gen Bank	10	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	Habib Bank AG Zurich	10	Standard Chartered	10
Barclays Bank	10	● Hambros Bank	10	TSB	10
Brit Bk of Mid East	10	Hampshire Trust Plc	13.5	Unibank plc	10
● Brown Shipley	10	Heritable & Gen Inv Bnk.	10	● United Bk of Kuwait	10
CL Bank Nederland	10	● Hill Samuel	10	Unity Trust Bank Plc	10
Citibank NA	10	C. Hoare & Co.	10	Western Trust	10
City Merchants Bank	10	Hongkong & Shanghai	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Julian Hodge Bank	10	Yorkshire Bank	10
Co-operative Bank	10	● Leopold Joseph & Sons	10		
Coutts & Co	10	Lloyds Bank	10		
		Meghraj Bank Ltd	10		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Futures firm

Sterling futures ended the day firmer yesterday after the Bank of England intervened heavily on the foreign exchanges to support the pound.

September short sterling lost around 50 basis points in the first two days of the week. At the start of a morning of wild trading, the contract rose 15 basis points to a high of 89.20 after the Bank of England bought around £1bn of sterling on the currency markets.

The contract then lost 10 basis points after a Bundesbank Council member said that a realignment of the European Monetary system could take place. His comments were countered and the contract closed at 89.15 up 10 basis points from its previous close. The December contract closed up 9 basis points on the day at 89.17. Both prices are still discounting a base rate rise of more than ½ percentage point.

Interbank rates in the sterling cash market also softened in the wake of the intervention. Three month money closed at 10$\frac{11}{16}$ per cent, down ⅛ per cent on the offered side. The 1 year rate also closed down $\frac{1}{16}$ per cent at 10$\frac{13}{16}$ per cent. The outlook for both of these rates will depend on how well the Bank's intervention works.

The Bank of England forecast a shortage of £900m in the morning, which was quickly taken out. Clearing banks and discount houses have bought bills from the commercial sector at rates that correspond to 10 per cent base rate. Once again, they offered paper to the Bank of England quickly, fearing a rise in the Bank's dealing rates.

The Bank bought £100m of Band 1 and £16m of Band 2 bank bills at 9⅞ per cent, £50m of Band 3 Treasury bills and £612m of Band 3 bank bills at 9¾ per cent, £15m of Band 4 Treasury bills and £137m of Band 4 Bank bills at 9$\frac{11}{16}$ per cent.

The Bank revised the forecast to a shortage of £1.05bn in the afternoon and provided late assistance of £20m.

The Bundesbank helped to ease tensions on the foreign exchanges in the morning by adding DM3.3bn of liquidity to the German money markets in its weekly operations.

Traders quoted call money at 9.65-9.75 per cent. Most of the activity took place at 9.70 per cent. On Tuesday it was quoted at 9.70-9.75 per cent.

UK clearing bank base lending rate 10 per cent from May 5, 1992

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug.26) 3 months US dollars		6 months US Dollars	
bid 3¼	offer 3½	bid 3½	offer 3⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime		Treasury Bills and Bonds			
Prime rate	6	One month	3.04	Three year	4.82
Broker loan rate	5¼	Two month	3.13	Five year	5.71
Fed.funds	3$\frac{3}{16}$	Three month	3.23	Seven year	6.26
Fed funds at intervention	-	Six month	3.34	10-year	6.71
		One year	3.52	30-year	7.46
		Two year	4.30		

Aug.26	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.65-9.75	9.75-9.85	9.75-9.85	9.80-9.90	9.80-9.90	9.75
Paris	10$\frac{1}{16}$-10$\frac{3}{16}$	10$\frac{1}{16}$-10$\frac{3}{16}$	10⅛-10¼	10¼-10⅜	10⅜-10½	9.60
Zurich	7¼-7⅜	7⅝-7⅞	-	7¾-8	-	-
Amsterdam	9.75-9.87	9.76-9.84	-	9.77-9.83	-	-
Tokyo	4$\frac{1}{16}$-4$\frac{3}{16}$	4$\frac{1}{16}$-4⅛	-	-	-	-
Milan	15¼-15½	16⅛-16$\frac{11}{16}$	-	15⅝-16¼	-	-
Brussels	9¾-10	9$\frac{11}{16}$-9⅞	-	9$\frac{11}{16}$-9$\frac{13}{16}$	-	-
Dublin	10-10¼	10½-10⅝	10⅝-10¾	10$\frac{11}{16}$-10$\frac{13}{16}$	10¾-10⅞	-

LONDON MONEY RATES

Aug 26	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10	10⅛	10⅞	11	11
Interbank Bid	7	9¾	10⅝	10⅝	10⅞	10⅞
Sterling CDs	–	–	10⅝	10⅝	10⅝	10$\frac{13}{16}$
Local Authority Deps.	9½	9¾	10¼	10½	10¾	10$\frac{13}{16}$
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	10	9¼	–	–	–	–
Company Deposits	–	–	–	–	–	–
Finance House Deposits	–	–	10⅛	10⅝	10⅝	10$\frac{13}{16}$
Treasury Bills (Buy)	–	–	10	10$\frac{3}{16}$	10¼	–
Bank Bills (Buy)	–	–	10	10$\frac{3}{16}$	10¼	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	3.31	3.36	3.42	3.54
SDR Linked Dep. Offer	–	–	6$\frac{1}{16}$	6$\frac{1}{16}$	6¼	6$\frac{5}{16}$
SDR Linked Dep. Bid	–	–	5$\frac{11}{16}$	6$\frac{1}{16}$	6⅛	6$\frac{3}{16}$
ECU Linked Dep. Offer	–	–	11	11$\frac{1}{16}$	11$\frac{1}{16}$	11
ECU Linked Dep. Bid	–	–	10$\frac{11}{16}$	10¾	10¾	10$\frac{13}{16}$

Treasury Bills (sell); one-month 9⅞ per cent; three months 10 per cent, six months 10⅛ per cent; Bank Bills (sell), one-month 9⅞ per cent, three months 10 per cent. Treasury Bills, Average tender rate of discount 9.6875 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day July 31, 1992. Agreed rates for period August 26, 1992 to September 22, 1992, Scheme I 11.27 p.c., Schemes II & III: 11.46 p.c. Reference rate for period July 1, 1992 to July 31, 1992, Scheme IV&V: 10.188 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from August 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6), Deposit £100,000 and over held under one month 6½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 8½ per cent; nine-twelve months 8½ per cent. Under £100,000 7 per cent from May 6, 1992. Deposits withdrawn for cash 5 per cent.

Seal of Approval on SOFFEX:

DIE*)

*) SOFFEX, the fully-automated Swiss exchange for options and futures trading, now has DIE status.

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Money Market Trust Funds

[illegible]

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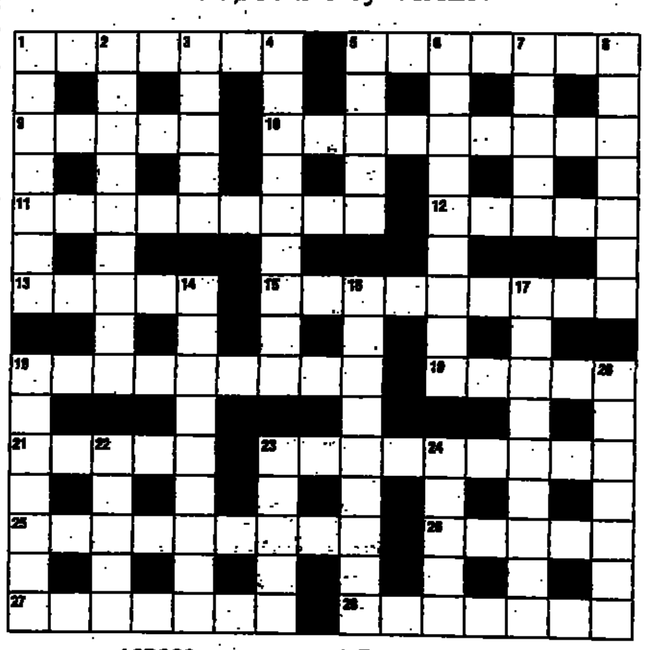
[illegible]

JOTTER PAD

CROSSWORD

No.7,936 Set by VIXEN



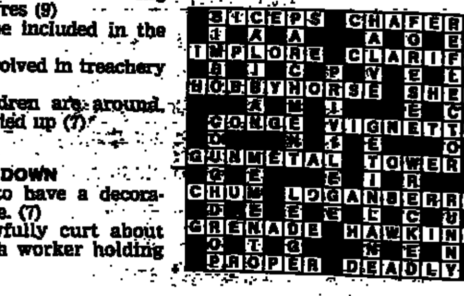
ACROSS

1 A medical specialist can put drive into a boy (7)
5 Overburden newsmen after work (7)
9 Weary of everything stylish (3,2)
10 Small animals were rated differently (5-4)
11 Contrive to get at inside of engine (9)
12 Ship's deck left in poor shape (5)
13 The dunderhead thumps tots (5)
15 Badly parked in outside car-park – it's criminal! (9)
18 What draws people at agricultural machinery shows (9)
19 Back military force, right or wrong (5)
21 The great fear of all in charge (5)
23 Cheered as a number made demands (9)
25 An admonition concerning hors d'oeuvres (9)
26 It should be included in the levy (5)
27 Senator involved in treachery (7)
28 When children are around, the dog is tied up (7)

DOWN

1 Pretended to have a decoration in store. (7)
2 Getting awfully curt about the Spanish worker holding back (9)
3 Boredom makes some children nuisances (5)
4 Up-to-date business course (9)
5 Eccentric seen out and about (5)
6 How odd, to prefer a bore! (9)
7 Bearing on the water supply in town (5)
8 The miser is a fool accepting credit with little hesitation (7)
14 Water-colour pictures (9)
16 Guides appear fearful about some rocky heights (9)
17 A sheepish creature in safe environs will find this a limiting factor (9)
18 A creeper to pull up when road-surfacing (7)
20 Leader of the Communist world? (7)
22 Royalty can back such salt (5)
23 Lighting up is a punishable offence! (5)
24 Old Greek's room (5)

Solution to Puzzle No.7,935



مكتبة أمين الجميل

WORLD STOCK MARKETS

AUSTRIA

August 26	Sch	+ or −
Austrian Airlines	1,720	+40
Creditanstalt Pf	366	+6
EA General	2,390	−10
EVN	678	+13
Jungbunzlauer	16,000	−250
OeMV	588	+5
Perlmooser Zement	1,110	−10
Radex Heraklith	414	+9
Reininghaus Brau	1,200	+10
Steyr Daimler	162	+2
Veitscher Magnesit	320	+8
Verbund (Br) A	410	+4
Wienerberger	3 400	−80
Z-Laenderbank	965	−5

BELGIUM/LUXEMBOURG

August 26	Frs.	+ or −
AG Group	1,640	−25
Arbed	3,290	−90
BBL	3,050	+20
Bank intl a Lux	11,500	
Banq Gen Lux Pts	11,600	....
Barco	1,040	−12
Bekaert	10,875	−25
CBR Ciment	7,770	−140
CMB	1,800	−75
Cobepa	4,400	−150
Cockerill Priv	136	+1
Colruyt	4,300	+20
Delhaize Frs Lion	1,452	−22
Electrabel	4,790	−20
Electrabel AFV1	4,695	+45
Electrafina ACT	2,045	−55
GBL	2,600	−25
GBL AFV 1	2,600	−50
GIB Group	1,334	−8
GIB Group AFV	1,254	−22
Gechem	250	+3
Generale Banque	6,350	−20
Gen Banque AFV1	6,210	+50
Gevaert	6,120	+10
Glaverbel	3,590	−10
Kredietbank	4,600	+10
Kredietbank AFV	4,550	+50
Pan Holding Lux	12,000	
Petrofina	8,950	−300
Powerfin	2,090	−10
Powerfin AFV	2,010	−5
Royale Belge	3,350	−100
Royale Belge AFV1	3,350	....
Soc Gen Belge	1,865	−35
Soc Gen Belge AFV	1,895	
Sofina	9,950	−20
Solvay	11,775	−125
Tessenderlo	6,000	+30
Tractebel	7,190	−10
Tractebel AFV 1	7,030	+10
UCB	20,250	−150
Union Miniere	1,870	−30

DENMARK

August 26	Kr	+ or −
Baltica Holding Reg	340	+25
Bikuben	209	−6
Carlsberg A	269.75	+1.40
D/S 1912 A	78,000	....
Danisco	651	−4
Den Danske Bank	224	−1
East Asiatic	92.50	+1 50
FLS Ind B	430x	−7 50
Great Nordic	275	−11
Hafnia Hldgs A	109g	....
Hafnia Hldgs B	81.70g	....
ISS Intl Serv B	912.50	−2.50

FRANCE (continued)

August 26	Frs.	+ or −
Carnaudmetalbox	170.90	−4.20
Carrefour	2,360	−10
Casino	132.20	+1.40
Cetelem	705	−2
Chargeurs	1,071	+1
Club Mediterranee	429	+2.40
Cogifi	283	−10
Coparex	615	−25
C C F	162	+1.70
Cr Fonc France	735	+20
Cred Lyon (CI)	500	−9
Credit National	822	−11
Damart	3,200	....
Docks de France	399.50	−0.50
Dollfus Mieg Cie	293.50	−6.50
EBF	828	−2
Eaux Cie Genl	2,071	−3
Ecco	386	−12
Elf Aquitaine	307.30	−0.40
Elf Aquitaine Certs	215 50	+1.50
Elf Sanofi	1,000	+11
Eridania B-Say	612	+6
Eridania B-Say CI	463	+19
Essilor Int	387	+3
Etex	1,690	+5
Eurafrance	1,163	+5
Euro RSCG	353	−7
Euro Disney	70.60	+2.65
Finextel	97.10	−1.90
Fonc Lyonnaise	589	+6
From C et Aux	3,210	+24
GTM-Entrepose	363	+3
Gal. Lafayette	2,044	....
Gaumont (Soc N)	450	+10
Geophysique	672	−9
Hachette	107.30	−1.60
Havas	459.40	+3.60
Imetal	308	....
Imm de France	734	+9
Immobanque	575	....
Immob Phenix	107	....
Interbail	384	....

TOKYO - Most Active Stocks

Wednesday, August 26, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Green Cross	14 0m	1,340	+60	UBE Inds	6.2m	380	+52
Ishihara Sangyo	13.1m	438	+80	Chugai Pharm	6.0m	1,270	+50
Nippon Zeon	8.5m	628	+60	Tobishima Corp	5 6m	515	-35
Toyama Chem	6 7m	750	+30	Meiji Seika	5.1m	670	+34
[illegible] & Chem	5 6m	665	+5	Nippon Jutaku	4 4m	385	-90

Saturday August 22: Taiwan Weighted Price: 3822.81, Korea Comp Ex. 471.61.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen, and DAX – 1,000, JSE Gold – 255 7, JSE 26 Industrials – 264.3 and Australia All Ordinaries ... Closed. (u) Unavailable.

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FINANCIAL TIMES
LONDON PARIS FRANKFURT NEW YORK TOKYO

3 pm August 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16¾	11¾	AAR Corp	0.48	3.8	19	270	12¾	12½	12½	-¼
26	18	A L Labs A	0.18	0.8	76	491	21¾	21⅛	21⅜	+⅛
68¼	52⅝	AMP Inc	1.52	2.8	21	970	53⅞	53⅛	53⅜	-⅛
80⅛	56	AMR				205286	57½	d55⅞	56⅜	-1⅛
2⅛	1⅛	ARX			19	111	1⅜	1⅜	1¼	+⅛
53½	35⅛	ASA x	2.00	5.6	23	112	36½	36	36	-⅛
34¼	29⅛	Abbott Lab	0.60	1.9	22	6188	31⅛	30⅞	31	+⅛
13⅞	11⅞	Abitibi Pr	0.50	4.2	6	4	12	12	12	+⅛
11⅝	10⅛	ACM Gvt In	1.06	9.7		64	11⅛	11	11⅛	+⅛
10⅛	9⅛	ACM GvOpp	0.92	9.4		79	9⅞	9⅞	9⅞	
9½	8½	ACM Gvt Sp	0.82	8.7		201	u9½	9⅜	9⅜	
11¼	10⅛	ACM Gvt 5e x	1.06	9.9		238	11	10⅞	10⅞	
10¼	8⅝	ACM Man	0.96	9.6		314	u10¼	10⅛	10¼	
12⅞	10½	ACM Managd	0.99	9.3		89	10⅝	10⅝	10⅝	
11⅜	4⅛	Acme Cleve	0.40	6.3	12	426	6½	6¼	6⅜	
6¼	4⅛	Acme Elect			35	27	4⅝	4½	4⅝	
33¼	17⅛	Acuson			12	657	18⅛	17½	18	+½
19½	18⅛	Adams Expr	0.48	2.6	0	21	19⅞	19⅛	19⅛	
49⅛	29½	Ad Micro x	3.00	8.5		14	35¼	35	35¼	+2⅜
21½	7½	Ad Micro P	3.00	32.4		32756	9⅛	9	9¼	+⅛
9⅛	4⅞	Advest Grp	0.16	3.1	73	42	5⅛	5	5⅛	+⅛
37¼	33	Aegon ADR	1.68	4.5	7	40	37½	37½	37½	+⅛
47	38⅛	Aetna Lf	2.76	7.0	10	1609	39⅜	38½	39⅛	+⅝
12¾	8⅜	Affil A	0.24	2.1	14	197	11⅜	11⅜	11⅜	
34	24	Aflac	0.44	1.4	16	213	31½	31⅛	31⅜	+⅛
19⅛	15⅛	Ahmanson	0.88	5.5	72	163	16⅛	15⅞	16⅛	+⅛
22½	5⅝	Aileen Inc			6	46	6	5⅞	5⅞	
48½	36½	Air Pr Chm	0.88	2.1	17	1689	41⅝	40½	41½	+⅞
29⅝	12½	Airbse Frt x	0.30	2.4	24	286	12⅞	d12⅛	12⅝	-⅛
34¼	22⅝	Airgas Inc			25	64	31	30¼	30½	+⅜
12⅞	8⅛	Airlease	1.68	14.3	9	13	11⅜	11⅜	11⅜	+⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
68	49 3/4	SchermgPl	1 56	2 6	18	2829	60 7/8	59 7/8	60 7/8	+1/2
69	52 1/4	Sch berger	1.20	1 8	19	2960	68 3/8	67 1/4	68 1/8	-1/8
37 1/8	20 1/8	Schwab(C)	0 24	1.1	11	571	22 1/8	22	22 1/8	-1/8
10 1/8	6 1/2	Schwitzer			61	12	6 3/4	d6 3/4	6 3/4	-1/8
27 1/4	15 1/4	ScientAtln x	0 16	0 6	37	686	26 1/2	25 1/4	26 1/2	+1 1/8
10 5/8	7 1/4	Scotman	0.10	1 2	107	20	8 3/4	8 5/8	8 5/8	+1/8
46	34 1/2	ScotPaper x	0.80	2.2	18	401	36 3/4	36	36	-3/8
17 1/2	13 5/8	ScuddrNAsF	0.22	1 4		18	15 1/2	15 1/4	15 1/4	-1/8
9 1/2	8 3/8	ScuddrNEuF	0.30	3 4		94	8 3/4	8 5/8	8 3/4	+1/8
24	16	Sea Contrs	0.20	1 1	10	15	18	17 3/4	18	+1/8
15 3/4	14 7/8	SeaCl 4625 x	1 48	9.8		5	15 5/8	15 5/8	15 3/4	+1 1/8
31	26 3/4	Seagram Co x	0.56	1 9	16	1249	29	28 3/4	28 7/8	-1/8
29 3/4	21 5/8	Seagull En			97	610	28 1/4	27 1/2	28 1/4	+1/4
56 7/8	43 1/4	Sealed Air			23	30	47 1/4	46 1/2	46 1/2	-1/4
23	12 1/8	SPX Corp x	0.40	2 1	28	492	19 1/4	18 3/4	19	
48	37	Sears Roeb x	2 00	4 8	11	3042	41 5/8	40 7/8	41 1/2	+1/4
13 1/4	11 7/8	Seligm Sel x	0.84	6 6		84	12 7/8	12 1/4	12 3/4	-1/4
31 1/4	22 1/4	Sensormat	0.30	1 3	21	992	23 3/4	23 5/8	23 3/4	
51	36 1/4	Sequa A	0 60	1 6	36	10	37 1/2	37 1/4	37 1/4	-1/2
58	45 1/2	Sequa B	0.50	1.1	25	2	47 1/8	47 1/8	47	
18 1/4	16 3/4	ServiceCpl	0.40	2.3	15	451	17 3/8	17 1/8	17 1/4	+1/8
29 1/4	22	Servicemr	1 16	4.1	17	278	28 7/8	28 1/4	28 1/2	-1/8
28 7/8	17	Shaw Ind	0.30	1.3	25	2729	23 1/4	23	23 1/2	+1/2
19 1/4	8 7/8	Shawmut Nt	1 00	7.1	24	1489	14 1/4	13 3/4	14 1/8	+1/4
10 1/2	6 1/2	Shelby Wil	0.24	2 9	36	2	8 1/2	8 3/8	8 3/8	
57 7/8	45 5/8	Shell Tr&T	2.57	4 6	12	535	55 3/8	54 3/4	55 1/4	+1/4
30 7/8	25 1/8	Sherwn W x	0 44	1 5	17	1185	28 1/2	27 3/4	28 1/2	+5/8
27 1/4	18 5/8	Shoneys			18	252	20 1/8	19 5/8	20 1/8	+1/4
14 3/4	8 1/4	Showboat	0 10	0 9	11	22	11 3/4	11 1/4	11 1/4	-1/4
24 1/8	17 3/4	Sierra Pac	1 12	5.9	11	320	19 1/4	19	19	-1/8
[illegible]										

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
45 7/8	28 1/2	Xtra Corp	0.80	1.9	12	256	41 5/8	41 3/8	41 5/8	+1/4
29 1/2	25 1/4	Yankee Egy	1 66	5.7	13	25	29 1/8	28 3/4	29 1/8	+3/8
1 1/2	1/2	Zapata			23	197	1	15/16	15/16	
11 1/8	6 3/8	ZenithElec			4	263	6 5/8	d6 3/8	6 5/8	+1/8
19 1/2	14 1/2	Zenith Nat	1.00	5.7	8	13	17 5/8	17 1/2	17 5/8	-1/8
7 1/2	6	Zenix Inc x	0.82	11 7		24	7	7	7	
13 3/8	10	Zero Corp	0 40	3 3	19	257	12 1/8	12	12 1/8	+1/8
38	27 3/4	Zurn Ind	0.88	2.8	34	58	31 7/8	31 5/8	31 3/4	+1/8
14 1/8	12	Zweig Fund	1 12	8.8		27	13	12 3/4	12 3/4	-1/8
11	9 1/2	Zweig Totl	0 96	9.4		168	10 1/8	10 1/4	10 1/4	-1/8

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm August 26

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Perini	0.80	20	10	11 3/8	d11 1/4	11 1/4	
Pet HI&P	1 14	13	28	16 1/8	15 7/8	16	
Phil LD	0.21	16	222	39 1/2	39 1/2	39 1/2	+1/4
Pittway A	1.10	16	36	30 1/4	30 5/8	30 1/4	
Ply Gem	0 12	21	47	10	9 7/8	9 7/8	
[illegible]							

NASDAQ NATIONAL MARKET

3 pm August 26

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							
WmsSonoma		70	75	10 1/2	10	10 1/2	+1/4
Wiser Oil x	0 40	508	38	15 1/2	d15	15 1/4	
Wolohan L x	0 28	15	89	22	21 1/4	21 1/4	+3/4
Wolv Expl		0	30	3/16	1/8	3/16	
WlvE xW93A			20	1/16	d1/32	1/32	-1/32
Worthgtn x	0 48	23	141	22	d21 5/8	21 7/8	-1/8
WPP Group	1 11	1	160	1 1/2	1 3/8	1 1/2	
Wyman-Gdn	0 40	4	873	5 1/8	4 7/8	5	

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		21	1998	20 1/4	19 1/4	19 3/4	-3/8
Xoma Corp		6	987	11 3/4	d11 1/4	11 1/4	+1/8
Yellow Fr	0 94	21	283	25 1/4	24 3/4	25 1/4	+1/4
York Rsch		7	5351	7 1/2	6 7/8	7	-1/4
ZionsUtah	1 44	10	130	56 1/2	54 1/2	56	+1/2

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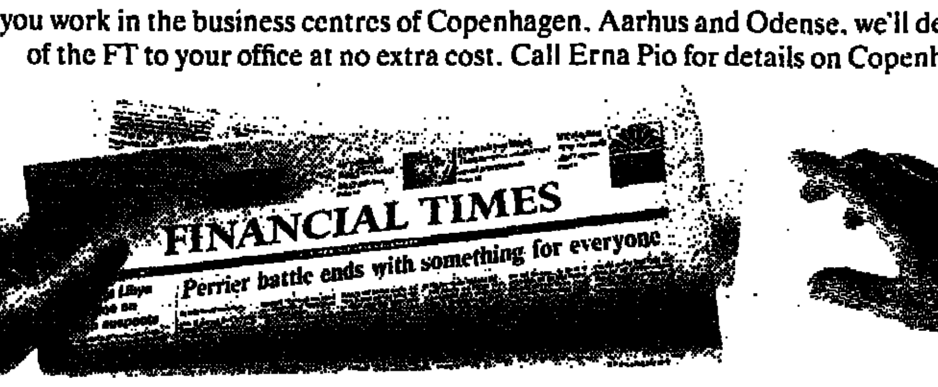

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FINANCIAL TIMES

FINANCIAL TIMES Thursday August 27 1992

AMERICA

Dollar helps to keep Dow in narrow range

Wall Street

US STOCK markets traded in a narrow range in the wake of a stable, but still vulnerable dollar, *writes Patrick Harverson in New York.*

By midday the Dow Jones Industrial Average was up 11.35 at 3,243.57, having spent the morning session only a few points either side of Tuesday's close. The more broadly based Standard & Poor's 500 was also little changed at the halfway mark, up just 1.27 at 412.88, while the Amex composite fell 0.06 to 379.46 and the Nasdaq composite recovered from recent declines to gain 2.97 at 557.19. Turnover was 74m shares by noon, while rises and declines were running neck and neck at 712 to 707, respectively.

A slight firming in the dollar, it edged up from DM1.4010 to DM1.4075 as overseas investors took profits in the D-Mark, provided the foundation for a positive start to trading. Investors concentrated on the currency market positives because the day's only major economic news, an unexpected 3.4 per cent decline in July durable goods orders, was bad.

Although the durable goods orders are unreliable, and the bulk of last month's decline was due to a big fall in transportation orders, the overall picture of manufacturing industry's past and future orders book was one of continued weakness.

Among individual stocks, motor manufacturers were all firmer in active trading, boosted by Ford's strong mid-August car sales figures. Ford added another $½ at $40⅜, General Motors put on $⅝ at $34½ in turnover of 1.3m shares and Chrysler firmed $⅛ to $19⅞.

PPG Industries eased $¼ to $59¼ after an order imbalance had delayed trading. The company said there was no reason for the decline, arguing that investors may have misinterpreted some recent remarks by the company's chief executive on the outlook for earnings. PPG also said that its chemical plant at Lake Charles in Louisiana had not been damaged by Hurricane Andrew.

The hurricane continued to play havoc with selected insurance stocks, leaving Cigna $⅛ weaker at $50¾, Travelers down $⅛ at $20⅝ and Geico $¾ lower at $56¼.

Abbott Laboratories climbed $⅜ to $30⅛ after the broking house Dean Witter Reynolds added the stock to its recommended list after its health care analyst upgraded his rating on Abbott Labs to "buy" from "neutral".

On the American Stock Exchange, New York Times eased $⅛ to $26⅞ after Salomon Brothers, the broking house, raised its 1992 and 1993 earnings estimates for the newspaper group but kept its rating on the stock unchanged at "hold".

Canada

TORONTO was slightly firmer at midday although a lack of corporate news kept activity fairly subdued. The TSE-300 index was 2.07 higher at 3,377.89 at midsession in volume of some 9m shares. Among sector indices metals and minerals was up 14.36 to 2,966.60 by midsession.

Among active stocks, BP Canada was steady at C$5, Shell Canada rose C$⅛ to C$41⅝ and MacKenzie Financial fell C$⅛ to C$5⅞. Noranda and Nova Scotia Power were both steady at C$19⅛ and C$10¾ respectively.

EUROPE

Continent stages a cautious recovery

CONTINENTAL bourses staged a cautious recovery after its falls earlier in the week, *writes Our Markets Staff.*

FRANKFURT rose but sentiment remained nervous in spite of a batch of good company results and analysts said it was too early to speak of a recovery. "The market has recently seen a strong decline, an adjustment of price levels and it looks oversold," said one. "But there isn't much buying interest around and any technical rebound appears to be short-lived."

Disappointing monthly inflation figures from Hesse were enough to upset the market and restrained the rise in the DAX to 4.37 to 1,473.28. At midsession the FAZ index was up 0.67 at 582.34, while turnover rose to DM5.1bn from DM4.1bn.

MAN, the engineering and truck manufacturer, gained DM12.50 to DM279.50, but off an intraday high of DM281, on a 3 per cent rise in net profit for fiscal 1992. Continental put on DM4 to DM228.50 after forecasting good full-year earnings.

Hoechst surprised analysts with its results but its shares closed unchanged at DM228. BASF, expected to report today, lost DM4.10 to DM207.10 while Bayer gained DM1.80 to DM257.50. After the close Henkel, down DM1 at DM566, reported a 2.9 per cent increase in its first-half profit.

Volkswagen, which also reports today, strengthened DM2.20 to DM314 on news of a 10 per cent rise in sales.

PARIS brushed off a second poll giving a majority of "No's" in the Maastricht referendum and rebounded from the day's low on firmer bond futures. The CAC-40 index ended 0.08 better at 1,667.80, off its worst level of 1,648.32, in meagre turnover of FFr1.4bn.

A year-on-year drop of 22.7 per cent in housing starts in the three months to end-July weighed on the construction sector. Lafarge fell FFr9.10 to FFr272.50 while Saint-Gobain eased FFr6 to FFr502.

Talk of an ERM realignment, which would reduce the need for a further rise in interest rates, pushed the banking sector higher. Société Générale rose FFr5.60 or 1.2 per cent to FFr469.50. Euro Disney rebounded from its recent weakness, closing up FFr2.65 or 3.9 per cent at FFr70.60.

MILAN saw selling wipe out a slightly stronger start. Rumours concerning Mr Enrico Cuccia, honorary chairman of Mediobanca, were blamed for the fall. They were denied after the close. The Comit index fell 0.83 to 394.10 in turnover estimated at more than Tuesday's L49.1bn.

Mediobanca fell L120 to L10,870 and then slipped to L10,550 after hours. Fiat closed at L4,040, up L40, but then fell to L3,995 later.

Pirelli rose L16.50 to L1,184 on news that the British conglomerate BTR was buying Pirelli's Brazilian rubber production business.

AMSTERDAM was lifted by some encouraging company results. The CBS Tendency index closed up 1.2 at 108.1.

HIC Caland, the dredging group rose Fl 3.20 to Fl 81 following a positive analysts meeting on Tuesday. Wolters Kluwer improved Fl 2.40 to Fl 77 on good half-year results, which also helped Elsevier rise 30 cents to Fl 104.30.

KNP's interim results seemed to impress, as its shares put on Fl 2.50 or 6.7 per cent to Fl 39.50.

ZURICH retreated in late trading with the SMI index down 4.7 at 1,705. BBC Brown Boveri certificates went against the market, gaining SFr35 to SFr665 on a proposal to swap non-voting participation certificates for voting bearer shares. The bearers closed unchanged at SFr3,370.

STOCKHOLM rebounded from its recent slump, gaining 2.6 per cent despite a 3 percentage point rise in the Riksbank's key lending rate. The Affärsvärlden General Index rose 19 to 751.3 in heavy turnover of SKr711m, of which Astra accounted for SKr270m.

Astra led the rally after its stronger-than-expected results for the half year, released after the close on Tuesday. The A shares ended at SKr512, up SKr15 and the B share rose SKr13 to SKr497.

OSLO jumped more than 2 per cent in spite of sharply higher interest rates, partly on relief over a government decision to take over the running of the insurer Uni Storebrand. The all-share index gained 6.73 to 306.77 in turnover worth NKr224m.

HELSINKI's fall continued after the central bank raised its tender rate. The HEX index slipping 20.4 or 3.5 per cent to 559.3 but turnover remained low at FM15m. Nokia free shares fell FM3.5 to FM46.

COPENHAGEN stabilised after heavy losses this week, with the KFX index closing 0.25 down at 75.77 in thin turnover of DKr112m. FLS Industries fell DKr10 to DKr430 after announcing a fall in mid-year profit.

MADRID closed at another year's low, the general index off 1.90 at 203.76 in turnover of some Pta6bn.

FT-SE Eurotrack 100 - Aug 26

Hourly changes

Open	10.30am	11 am	12 pm	1 pm	2 pm	3 pm	close
999.33	997.70	997.45	996.54	997.10	997.69	996.62	997.98

Day's High 999.33 Day's Low 995.81

Aug 25	Aug 24	Aug 21	Aug 20	Aug 19
993.01	1010.52	1039.54	1030.83	1033.91

Base value 1000 (26/10/90)

ASIA PACIFIC

Nikkei finishes higher after volatile session

Tokyo

SHARE prices firmed as index-linked buying and bargain hunting absorbed profit-taking and arbitrage-linked selling, and the Nikkei average ended a volatile day with a moderate gain, *writes Emiko Terazono in Tokyo.*

The 225-issue average put on 160.88 to 16,541.65. It reached the day's high of 16,663.19 in the morning session before slipping into negative territory several times in the afternoon, registering a low of 16,332.40.

Volume fell to 320m shares from 397m, due to a lack of dealer participation. However, foreigners and individual investors were active buyers, while some domestic institutions took profits on holdings recently bought at lower levels.

Advances led declines by 507 to 474, with 143 issues unchanged. The Topix index of all first section stocks was just 0.54 ahead on the day at 1,277.38, and in London the ISE/Nikkei 50 index slipped 1.60 to 1,045.56.

Investors tried to adjust positions ahead of the government's announcement of its economic support package tomorrow. "Since there probably will not be anything surprising in the package, institutions are trying to take profits now," said Mr Shin Tokoi at Kidder Peabody International.

Meanwhile, short-term traders focused on drug and Aids-related issues. Green Cross, the most active issue of the day, rose Y60 to Y1,340, while Ishihara Sangyo, an agro-chemical maker, advanced Y80 to Y438 on speculative buying.

Nippon Telegraph and Telephone dipped Y5,000 to Y610,000. On Tuesday Mr Tsutomu Hata, the finance minister, announced the postponement of the sale of the additional tranche of shares for fiscal 1992 and 1993. Traders said the news had already been discounted and attributed the decline to light profit-taking after the stock's recent 35 per cent rebound.

Banks lost ground, with Sumitomo Bank retreating Y40 to Y1,700 on sell orders by foreign institutions. Industrial Bank of Japan was down Y10 to Y2,150.

High-technology blue chips declined on worries over profits, Hitachi slipping Y11 to Y792 and Fujitsu Y13 to Y570. Matsushita Electric Industrial, which reported a 62 per cent fall in consolidated pre-tax profits for the first quarter to June, shed Y30 to Y1,210. Victor Company of Japan, its affiliate, weakened Y33 to Y718.

In Osaka, the OSE average gained 56.43 at 18,099.95 in a volume of 14.2m shares.

Roundup

THE region's markets were generally stronger, helped by some positive company results.

HONG KONG was lifted by better than expected interim results from HSBC Holdings. The Hang Seng index closed 187.32, or 3.5 per cent, up at 5,478.81 in turnover of HK$3bn.

HSBC, which reported a 51 per cent jump in first-half profits, rose HK$3.75 to HK$51.50. Cathay Pacific, with a 13 per cent increase in half-year earnings, gained 40 cents to HK$10.80.

SINGAPORE advanced on news that a one-for-one scrip issue by Singapore Airlines had been approved in principle by the authorities. The Straits Times Industrial index added 31.62, or 2.36 per cent, at 1,370.53 in turnover of S$167m (S$86m on Tuesday). SIA foreign shares climbed S$1.20 to S$15.90 in 86m volume.

SEOUL rose for the fourth consecutive session, the composite index ending 19.37 up at 513.87 in turnover of Won304bn.

TAIWAN reversed early gains to finish lower after thin trading. The weighted index lost 23.35 to 3,793.03 in turnover of T$18.7bn.

MANILA recovered from a four-day slide, led by Philippine National Bank (PNB). The composite index improved 14.04 to 1,454.49 in combined turnover of 235m pesos.

PNB rose 15.50 pesos to 277.50 pesos on news that there might be a reshuffle of senior bank officials following the recent controversial appointment of new board members.

AUSTRALIA recouped Tuesday's losses, the All Ordinaries index gaining 17.0 at 1534.4 in turnover of A$255.5m.

News Corp put on A$1.00 to A$23.50. After the close it reported a 65 per cent rise in net profits for the year to the end of June.

Banks improved, with Commonwealth ahead 18 cents at A$6.87 and National Australia up 11 cents at A$7.33.

NEW ZEALAND was slightly firmer, the NZSE-40 index rising 1.89 to 1,459.52 in turnover of NZ$15.7m.

BANGKOK's SET index eased 1.63 to 752.85 in turnover of Bt5.6bn. Declines led advances by 141 to 74. Speculative property and construction issues were the main losers.

SOUTH AFRICA

RETAIL, food and some industrial blue chips featured in Johannesburg trading. The industrial index shed 8 to 4,025, the overall index lost 13 to 3,110, while the gold index ended unchanged at 929.

Chilean equities lose their fizz as interest rates rise

Rumours that pension fund holdings are too high have also depressed the bolsa, says **Leslie Crawford**

The Santiago stock exchange appears to have lost its fizz. The IPSA index of the 50 most traded shares has dropped by almost 9 per cent this month, following a steady rise between January and July in which the index climbed by 39 per cent in dollar terms.

Brokers are at a loss to explain the bearish sentiment in the market. Not even the announcement of Standard & Poor's "investment grade" rating for Chile, which ranks the country as the safest haven for investment in Latin America, lifted spirits on the trading floor of the *bolsa* last week.

The economy is set to grow by 8 per cent this year, a construction boom has transformed Santiago into one huge building site, traffic jams and smog point to the society's growing affluence, and publicly listed companies reported an average net income growth of 21 per cent in the first half of the year.

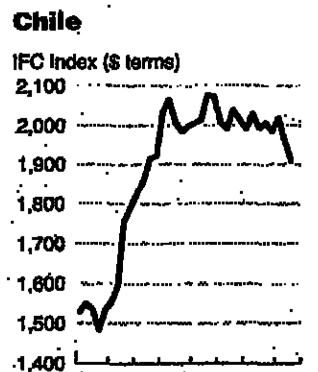
The strong company results alone should have boosted share values. Their fall, instead, suggests that the *bolsa* is suffering from a surfeit of good news and fears more difficult times ahead.

Investment analysts at Celfin, the company that manages Salomon Brothers' foreign investment fund in Chile, point out that a large part of company profits came from the revaluation of the peso earlier this year, which is a one-off financial gain. Operating income rose by 6.5 per cent in real terms.

Chile's central bank raised interest rates last week in an attempt to dampen a consumer spending spree that is overheating the economy and fuelling inflation. Consumer prices are forecast to increase by 1.4 per cent in August, the highest monthly jump this year, compared with accumulated inflation of 5.5 per cent in the first seven months of 1992. Brokers report that investors have begun moving money out of equity and into central bank paper as a result of the latter's more attractive yields.

Chile

IFC Index ($ terms)



Source: Datastream

The August sell-off, however, began with rumours that Chile's biggest institutional investors, the private pension funds known as AFPs, had overstepped their investment ceiling in equities and would soon be forced to offload shares.

At present, AFPs can hold only up to 30 per cent of their portfolios in equity. But as share prices have nearly doubled over the past year, many AFPs find themselves above the legal limit and must trim back their equity investments within six months.

Mr Pedro Yrrarazaval, the *bolsa* chairman, says: "The law is unfair as it penalises AFPs for making good investments. The pension funds should be allowed to expand their equity portfolios, and in no case should they be forced to sell."

The government is drafting a new law on pension funds which seeks to broaden their investment horizons. It is unclear, however, whether they will be allowed to channel more of their $10bn worth of assets into shares. Chile's stock market capitalisation is valued at $33bn, so greater attention is being paid to other instruments, such as foreign government securities.

Mr Hugo Lavados, head of Chile's Securities Exchange Commission, says the government will decide what is best for the pension funds, not what suits the stock market. But Mr Yrrarazaval argues that the uncertainty is affecting investor confidence. "The government should give a clear indication of its intentions. The market is awash with negative rumours as nobody knows what will be changed."

One corner of the market has proved immune to the downturn. A growing number of companies are seeking listings as a way of raising capital, and the stock exchange created a new index in July to track the performance of these "emerging shares".

The *bolsa* selected eight companies that have gone public over the past year, including the Iquique free trade zone (Zofri), two bottling companies, Edelpa and Polar, two wineries, San Pedro and Santa Rita, a ceramics manufacturer, Cordillera, a maker of fruit juice concentrates, Jucosa, and Puerto Ventanas, a private port.

The value of their shares, weighted in the new IPAE index, has risen by 77 per cent since the beginning of the year, more than double the performance of the IPSA index of most traded shares.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY AUGUST 25 1992								MONDAY AUGUST 24 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	126.79	-1.9	94.41	100.06	92.29	118.65	-1.6	4.61	129.26	96.09	101.81	94.32	120.62	153.68	126.79	146.07
Austria (19)	149.09	-1.0	111.02	117.67	108.52	108.91	-2.1	2.68	150.56	111.92	118.59	109.86	111.21	186.70	139.27	173.62
Belgium (42)	145.95	-1.4	108.68	115.18	106.23	104.02	-1.8	5.91	148.07	110.07	116.62	108.04	105.90	152.27	135.87	127.17
Canada (114)	125.96	-0.3	93.79	99.40	91.67	108.49	-0.4	3.18	126.31	93.89	99.48	92.16	108.88	142.12	124.32	139.95
Denmark (35)	224.11	-1.3	166.88	176.87	163.12	165.20	-1.4	1.85	226.95	168.70	178.75	165.60	167.53	273.94	224.11	253.23
Finland (15)	61.17	-4.8	45.55	48.28	44.52	49.51	-5.2	2.85	64.27	47.78	50.62	46.90	52.25	89.80	61.17	95.35
France (103)	156.11	-1.1	116.25	123.19	113.62	116.99	-1.2	3.84	157.88	117.35	124.34	115.19	118.38	168.75	148.06	135.24
Germany (64)	115.07	-1.6	85.68	90.82	83.75	83.75	-1.8	2.73	116.93	86.92	92.11	85.32	85.32	129.69	114.67	108.26
Hong Kong (53)	219.19	-1.5	163.22	172.98	159.55	217.52	-1.5	3.84	222.49	165.38	175.23	162.35	220.81	259.55	176.36	165.55
Ireland (16)	158.52	-0.5	118.04	125.10	115.38	118.46	-0.5	4.46	159.39	118.48	125.54	116.30	119.08	173.71	151.78	153.71
Italy (78)	64.15	-1.4	47.77	50.62	46.69	51.26	-1.4	4.04	65.04	48.35	51.23	47.46	51.98	80.86	61.30	71.00
Japan (473)	102.39	-2.0	76.24	80.80	74.53	80.80	-1.8	1.05	104.45	77.64	82.27	76.23	82.27	140.95	87.27	121.80
Malaysia (69)	227.29	-0.2	169.25	179.37	165.43	217.75	-0.3	2.90	227.68	169.24	179.32	166.13	218.39	250.47	212.49	200.65
Mexico (18)	1259.94	-3.2	938.21	994.34	917.06	4247.35	-3.2	1.41	1301.09	967.15	1024.76	949.37	4387.83	1789.77	1259.94	1186.86
Netherland (25)	164.63	-0.5	122.59	129.92	119.83	118.61	-0.7	4.72	165.45	122.98	130.31	120.72	119.46	167.29	147.88	136.55
New Zealand (14)	41.90	-1.0	31.20	33.07	30.50	41.13	-1.5	5.52	42.34	31.47	33.35	30.90	41.76	48.52	41.90	46.09
Norway (23)	136.40	-1.0	101.57	107.65	99.28	102.89	-1.2	2.45	137.81	102.44	108.55	100.56	104.14	192.95	136.40	203.07
Singapore (38)	186.18	+0.9	138.64	146.94	135.51	137.45	+0.9	2.41	184.56	137.19	145.36	134.67	136.25	229.63	180.71	186.75
South Africa (61)	188.69	-1.3	140.51	148.91	137.34	154.47	-0.8	3.28	191.09	142.05	150.51	139.43	155.71	263.60	186.87	237.43
Spain (49)	138.23	-1.0	102.93	109.10	100.61	95.45	-0.6	6.15	139.65	103.80	109.99	101.89	96.06	161.72	133.79	150.07
Sweden (30)	171.48	-2.8	127.69	135.33	124.82	130.10	-2.9	3.16	176.40	131.13	138.94	128.72	134.03	200.28	171.48	189.58
Switzerland (62)	111.87	-1.3	83.30	88.29	81.43	86.45	-0.9	2.48	113.32	84.24	89.26	82.70	87.22	113.88	95.99	92.05
United Kingdom (228)	179.60	-1.5	133.74	141.73	130.71	133.74	-1.3	5.46	182.27	135.49	143.55	132.99	135.49	200.07	165.85	176.44
USA (522)	167.57	+0.2	124.78	132.25	121.97	167.57	+0.2	3.00	167.25	124.32	131.73	122.04	167.25	173.10	160.92	159.67
Europe (789)	144.98	-1.4	107.96	114.42	105.53	107.32	-1.3	4.43	146.98	109.26	115.77	107.26	108.75	156.88	139.31	138.19
Nordic (103)	159.53	-2.2	118.79	125.90	116.12	115.37	-2.3	2.65	163.07	121.22	128.44	118.99	118.11	188.52	159.53	186.47
Pacific Basin (715)	106.87	-1.9	79.58	84.34	77.79	85.87	-1.7	1.43	108.92	80.96	85.79	79.48	87.36	141.97	93.70	123.62
Euro - Pacific (1504)	122.28	-1.6	91.06	96.50	89.00	94.67	-1.5	2.87	124.32	92.41	97.91	90.71	96.13	145.21	113.80	129.71
North America (636)	164.96	+0.2	122.84	130.20	120.09	163.55	+0.2	3.01	164.68	122.41	129.72	120.18	163.27	170.31	158.70	158.38
Europe Ex. UK (561)	123.97	-1.3	92.31	97.85	90.25	93.12	-1.3	3.69	125.58	93.35	98.93	91.65	93.37	132.98	121.81	115.57
Pacific Ex. Japan (242)	150.86	-1.3	112.34	119.08	109.82	136.77	-1.2	3.95	152.80	113.58	120.36	111.50	138.43	175.31	149.00	141.74
World Ex. US (1697)	123.79	-1.6	92.16	97.70	90.09	96.79	-1.5	2.87	125.80	93.51	99.09	91.79	98.25	146.16	116.16	121.83
World Ex. UK (1991)	133.64	-0.8	99.51	105.47	97.28	116.91	-0.7	2.61	134.71	100.14	106.11	98.31	117.79	150.58	127.21	136.78
World Ex. So. Af. (2158)	137.33	-0.9	102.27	108.39	99.97	118.09	-0.8	2.92	138.54	102.98	109.12	101.10	119.05	153.05	130.04	139.59
World Ex. Japan (1746)	157.49	-0.5	117.27	124.30	114.65	140.08	-0.5	3.56	158.27	117.65	124.67	115.51	140.75	166.40	153.20	151.33
The World Index (2219)	137.61	-0.9	102.47	108.61	100.17	118.44	-0.8	2.93	138.82	103.19	109.34	101.30	119.40	153.70	130.66	140.23

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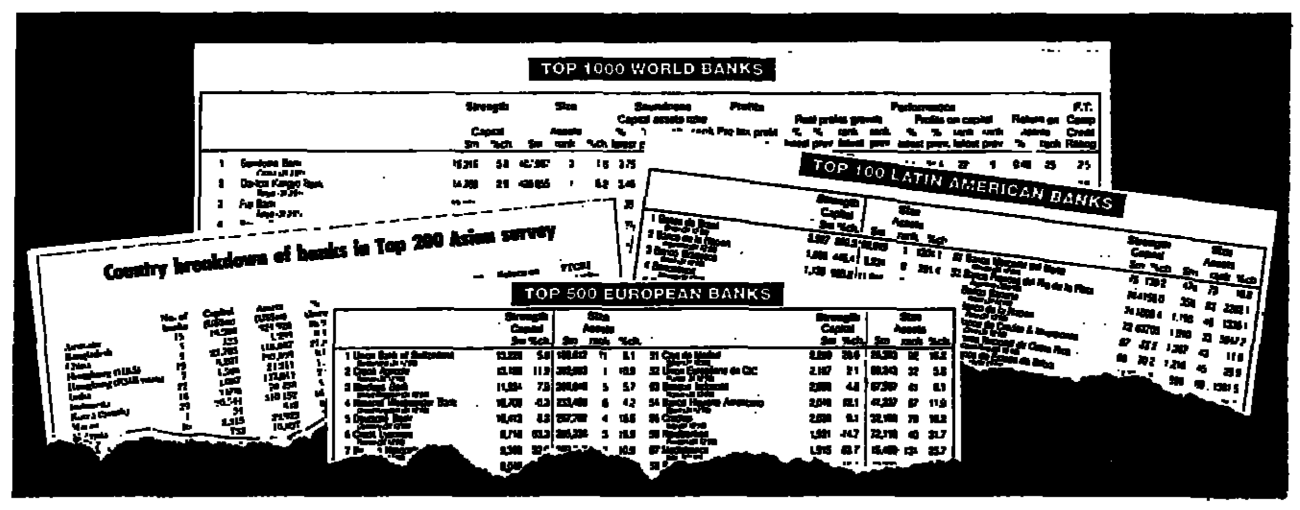
Constituent change with effect 27/8/92: Deletion Merlin Gerin (France). Latest prices were unavailable for this edition.



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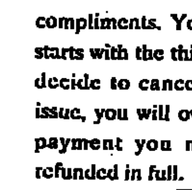

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